GUANGNAN (HOLDINGS) LIMITED

廣南(集團)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

Unaudited financial highlights for the six months ended 30 June

	2008	2007	Changes
	HK$' 000	HK$' 000	%
Turnover	**1,374,163**	688,733	99.5
Profit from operations	**140,092**	59,106	137.0
Profit attributable to shareholders	**112,207**	118,207	(5.1)
Earnings per share – Basic	**HK 12.39 cents**	HK 13.09 cents	(5.3)
Interim dividend per share	**HK 2.0 cents**	HK 2.0 cents	-

BUSINESS REVIEW, MANAGEMENT DISCUSSION & ANALYSIS, PROSPECTS AND OTHER INFORMATION

RESULTS

For the first half of 2008, the Group's results were satisfactory. The unaudited consolidated profit attributable to shareholders of the Company was HK$112,207,000, representing a decrease of 5.1% from HK$118,207,000 of the corresponding period last year. However, the profit from operations for the first half of 2008 which excludes non-operating income and valuation gains on investment properties was HK$140,092,000, representing an increase of 137.0% from HK$59,106,000 of the corresponding period last year. Basic earnings per share was HK12.39 cents, a decrease of 5.3% from HK13.09 cents of the corresponding period last year.

INTERIM DIVIDEND

The Board declares the payment of an interim dividend for the six months ended 30 June 2008 of HK2.0 cents per share (six months ended 30 June 2007: HK2.0 cents per share).

BUSINESS REVIEW

During the period under review, all business segments of the Group developed at an accelerated pace. The Group's consolidated turnover was HK$1,374,163,000, representing an increase of HK$685,430,000, or 99.5%, from HK$688,733,000 of the corresponding period last year. Such increase was mainly attributable to the growth in the tinplating business. The black-plate manufacturing plant, with the production capacity of 150,000 tonnes per annum, commenced production at the beginning of last year and provided steady supply of black-plates, the major raw material for the production of tinplates. Moreover, the tinplating plant with a production capacity of 250,000 tonnes tinplates per annum established in Qinhuangdao City in Hebei Province jointly by the Group and POSCO Co. Ltd. ("POSCO"), an internationally renowned steel enterprise, commenced production in February 2008, raising the Group's production capacity of tinplates increased from 200,000 tonnes in 2007 to the current level of 450,000 tonnes, reaching a higher rung of the ladder in terms of its scale. On the other hand, as the business of distribution of live pigs was successfully embarked upon in December 2007, the live and fresh foodstuffs segment has become a new source of growth for the Group.

Tinplating

As at 30 June 2008, Zhongshan Zhongyue Tinplate Industrial Co., Ltd ("Zhongyue Tinplate") is a wholly-owned subsidiary of the Company. The Company holds 66% interests in Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd ("Zhongyue Posco") while the remaining 34% is held by POSCO.

During the first half of 2008, the tinplate production and sales volume of the Group were 160,976 tonnes and 143,806 tonnes, an increase of 84.0% and 62.0% respectively compared with the corresponding period last year. Turnover was HK$1,255,926,000, representing an increase of 102.9% compared with the corresponding period last year. Operating profit was HK$74,659,000, an increase of HK$29,794,000, or 66.4% compared with the corresponding period last year. The tinplating business made the greatest profit contribution to the Group, with its turnover and operating profit accounting for 91.4% and 53.3% of the Group's turnover and operating profit respectively. Despite the rapid increase of steel prices within a short period of time resulting from the significant rise in prices of raw materials including iron ore during the period, the Group maintained a stable gross profit margin amid significant growth in sales volume through its flexible market strategy and effective cost control.

After the tinplating plant, established jointly by the Group and POSCO in Qinhuangdao City in Hebei Province, commenced production in February 2008, the strategic deployment of two major tinplating production bases in the northern and southern regions was basically completed, contributing to a substantial increase in both the production and export sales of high-end products. Meanwhile, the quality and quantity of products produced by the black-plate manufacturing plant situated in Zhongshan also enhanced continuously, providing a stable source of raw materials, black-plates, for the production of tinplates as well as helping the Group to control product costs and penetrate the tinplating sub-markets on a full scale.

Fresh & Live Foodstuffs

During the first half of 2008, turnover of the fresh and live foodstuffs business amounted to HK$105,506,000, representing an increase of HK$49,116,000 or 87.1% as compared with the corresponding period last year. An operating profit of HK$42,851,000, which was an increase of HK$31,360,000 or 272.9% from the corresponding period last year, was realized primarily due to the embarkation of live pigs distribution since December 2007. Notwithstanding fierce market competition and limitations such as insufficient enclosure spaces, the business grew healthily on the back of the tremendous vibrancy of our operations team and the strong support from predominant suppliers.

Property Leasing

The Group's leasing properties include the plant and staff dormitory of Zhongshan Shan Hai Industrial Co., Ltd. ("Shanhai"), and the office building in Hong Kong.

In the first half of 2008, the total turnover from property leasing business was HK$12,731,000, a decrease of 4.3% compared with the corresponding period last year. Profit from operations of leasing properties was HK$9,214,000, representing an increase of 1.7% as compared with the corresponding period last year.

Associates

During the first half of 2008, Yellow Dragon Food Industry Co., Limited ("Yellow Dragon"), a major associate of the Group, recorded a sales volume of 198,679 tonnes of corn starch, its major products, representing an increase of 5.1% compared with the corresponding period last year. Turnover of Yellow Dragon amounted to HK$768,112,000, a growth of 27.2% compared with the corresponding period last year while profit attributable to shareholders amounted to HK$48,273,000, an increase of HK$14,233,000 or 41.8%.

FINANCIAL POSITION

As at 30 June 2008, the Group’s total assets and total liabilities amounted to HK$3,001,229,000 and HK$1,421,285,000, representing an increase of HK$643,640,000 and HK$452,943,000 respectively compared with the positions at the end of 2007. The net current assets increased from HK$62,478,000 at the end of 2007 to HK$468,431,000 and the current ratio (current assets divided by current liabilities) increased from 1.07 as at the end of 2007 to 1.47.

Liquidity and Financial Resources

As at 30 June 2008, the Group maintained cash and cash equivalent balances of HK$334,599,000, including pledged bank balance of HK$144,078,000. An amount of HK$281,988,000 was denominated in Renminbi and HK$17,834,000 was denominated in United States (“US”) dollars while the remaining balance was denominated in Hong Kong dollars. Cash and cash equivalent balances increased by 127.6% from the end of the 2007.

As at 30 June 2008, the Group’s borrowings comprise 1) bank borrowings of HK$770,043,000 (31 December 2007: HK$503,428,000), of which HK$166,294,000 (31 December 2007: HK$281,720,000) is unsecured, HK$Nil (31 December 2007: HK$168,988,000) is secured by bills receivable, HK$480,000,000 (31 December 2007: HK$Nil) is secured by investment properties in Hong Kong and HK$123,749,000 (31 December 2007: HK$52,720,000) is secured by bank deposits of HK$123,729,000 (31 December 2007: HK$50,571,000); 2) a loan from immediate holding company of HK$21,216,000 (31 December 2007: HK$21,216,000); and 3) loans from minority shareholder of HK$11,270,000 (31 December 2007: HK$Nil). 49.5% of the Group’s borrowings (31 December 2007: 84.7%) is repayable within one year, and the remaining balance is repayable within three years. All the borrowings were subject to an annual interest rate of 2.02% to 11.77% (2007: 2.10% to 6.72%). 10.6% and 10.1% of the Group’s borrowings was guaranteed by a subsidiary of the Group and by the minority shareholder of the Group’s non-wholly owned subsidiary, respectively.

The Group’s gearing ratio, calculated by dividing the net borrowings (being borrowings less cash and cash equivalents) of the Group by total equity attributable to equity shareholders of the Company, was 31.8% (31 December 2007: 29.0%). The increase was primarily due to the funding requirements for the development of the Group’s tinplating business.

As at 30 June 2008, the Group’s total available banking facilities amounted to HK$1,184,898,000, of which HK$816,173,000 was utilised banking facilities and HK$368,725,000 were unutilised. 19.2% of the Group’s banking facilities was guaranteed by a subsidiary of the Group and by the minority shareholder of the Group's non-wholly owned subsidiary, while 40.5% of the Group’s banking facilities was guaranteed by the Company which also provided the investment properties situated in Hong Kong as collateral. The cash reserve and available facilities, as well as the steady cash flow from operations, were sufficient to meet the Group’s debt obligations and business operations.

On 25 January 2008, the Group entered into a facility agreement (the "Loan Agreement") with Industrial and Commercial Bank of China (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited. Pursuant to the Loan Agreement, a secured loan facility in the amount of HK$480,000,000 for a term of 3 years was made available to the Group's drawdown. The loan is interest-bearing at floating rates to fund the general corporate financing requirements of the Group. The loan fully reflected the banks' confidence and recognition of the credit standing and prospects of the Group.

Charge on Assets

As at 30 June 2008, certain assets of the Group with an aggregate carrying value of HK$248,978,000 (31 December 2007: HK$224,888,000) were pledged to secure loans and banking facilities of the Group.

Exchange Rate and Interest Rate Exposures

The majority of the Group's business operations is in the PRC and Hong Kong. During the period, the exchange rates of Hong Kong dollars and US dollars were relatively stable without causing any material risk of exchange rate to the Group; as to the impact from the appreciation of Renminbi against US dollars, since majority of the Group's sales are settled in Renminbi, whereas the purchases are mainly made in Renminbi or US dollars, the Group does not have material exposure to foreign exchange.

The majority of the Group's borrowings bears interests at floating rates. The management pays attention to variations in interest rates. In respect of unforeseen fluctuations of exchange rates, the Group will adopt hedging instruments to hedge the exposure as and when necessary. As at 30 June 2008, there were forward foreign exchange contracts entered into by the Group to hedge certain foreign currencies loans which amounted to US$11,942,000 and JPY416,371,000 (equivalent to HK$123,749,000 in aggregate) (31 December 2007: US$3,022,000 and JPY416,371,000 (equivalent to HK$52,720,000 in aggregate)). Except for these borrowings, other borrowings are denominated in the functional currency of the entity taking out the loans or, in US dollars. In view of the anticipated appreciation of Renminbi against US dollars, management does not consider the currency risk to be significant.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group had a total of 1,148 full-time employees, an increase of 106 from the end of 2007. 71 of the employees were based in Hong Kong and 1,077 were in mainland China. The staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions, and individual performance with reference to the prevailing industry practices. In 2008, the Group continued to implement control on the headcount, organization structure and total salaries of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, performance bonus for various profit rankings was paid on the basis of net cash inflow from operation and profit after taxation. In addition, bonus will be rewarded to the management, key personnel and outstanding staff through assessment of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Group has also adopted a share option scheme to encourage excellent participants to keep up with their contribution to the Group.

PROSPECTS

Although the uncertainties of global and domestic economic trend have increased, the global and domestic market demand for tinplates is still growing. After years of strenuous efforts, the Group has made remarkable progress in its major business segment, tinplating, by enhancing its production scale, supply of raw materials and expansion into the international market. Going forward, the Group will seek to further enhance quality control of its products, foster development of new products and new applications, and promote environmental friendliness exemplified in the course of its production. Leveraging on the aforesaid efforts and the healthy development of our fresh and live foodstuffs business, the operating results of the Group is expected to experience further increase.

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the "Board") of Guangnan (Holdings) Limited (the "Company"), is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with comparative figures. The results have been reviewed by the Company's auditors, KPMG, and the Company's audit committee.

Consolidated Income Statement
For the six months ended 30 June 2008 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2008	*2007*
	Note	**$'000**	$'000
Turnover	2	**1,374,163**	688,733
Cost of sales		**(1,217,900)**	(600,350)
Gross profit		**156,263**	88,383
Other revenue	3	**8,387**	9,605
Other net income	4	**40,408**	3,366
Distribution costs		**(23,333)**	(12,260)
Administrative expenses		**(37,580)**	(24,418)
Other operating expenses		**(4,053)**	(5,570)
Profit from operations		**140,092**	59,106
Non-operating income	5	**-**	40,021
Valuation gains on investment properties		**2,049**	12,791
Finance costs	6(a)	**(15,071)**	(4,097)
Share of profits less losses of associates		**19,106**	13,463
Profit before taxation	6	**146,176**	121,284
Income tax	7	**(19,942)**	(3,400)
Profit for the period		**126,234**	117,884
Attributable to:			
Equity shareholders of the Company		**112,207**	118,207
Minority interests		**14,027**	(323)
Profit for the period		**126,234**	117,884
Interim dividend	8	**18,112**	18,078
Earnings per share	9		
Basic		**12.39 cents**	13.09 cents
Diluted		**12.39 cents**	13.06 cents

Consolidated Balance Sheet at 30 June 2008 - unaudited

(Expressed in Hong Kong dollars)

	Note	***At 30 June 2008*** **$'000**	*At 31 December 2007* $'000
Non-current assets			
Fixed assets			
- Investment properties	10(b)	**277,320**	264,224
- Other property, plant and equipment		**944,980**	858,560
- Interest in leasehold land held for own use under operating leases		**109,535**	107,100
	10	**1,331,835**	1,229,884
Interest in associates		**210,421**	199,010
		1,542,256	1,428,894
Current assets			
Trading securities		**4,894**	6,399
Inventories	11	**488,206**	321,343
Trade and other receivables, deposits and prepayments	12	**630,818**	453,488
Current taxation recoverable		**456**	456
Cash and cash equivalents	13	**334,599**	147,009
		1,458,973	928,695
Current liabilities			
Trade and other payables	14	**571,155**	401,731
Bank loans	15(a)	**364,738**	423,336
Loan from immediate holding company	15(b)	**21,216**	21,216
Loans from minority shareholder	15(c)	**11,270**	-
Current taxation payable		**22,163**	19,934
		990,542	866,217
Net current assets		**468,431**	62,478
Total assets less current liabilities		**2,010,687**	1,491,372
Non-current liabilities			
Bank loans	15(a)	**405,305**	80,092
Deferred tax liabilities		**25,438**	22,033
		430,743	102,125
Net assets		**1,579,944**	1,389,247
Capital and reserves			
Share capital		**452,802**	452,802
Reserves		**1,019,774**	848,702
Total equity attributable to equity shareholders of the Company		**1,472,576**	1,301,504
Minority interests		**107,368**	87,743
Total equity		**1,579,944**	1,389,247

Notes to the unaudited consolidated financial information

(Expressed in Hong Kong dollars)

1. Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and by the auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

2. Turnover and segment information

The Group's primary format for reporting segment information is business segments. Revenue from external customers (turnover) represents the sales value of goods supplied to customers, commission income from foodstuffs distribution and rental income.

Business segments

The Group comprises the following main business segments:

Tinplating	:	Production and sales of tinplate and related products which are used as packaging materials for the food processing manufacturers
Fresh & live foodstuffs	:	Distribution, purchase and sales of fresh and live foodstuffs
Property leasing	:	Leasing of properties to generate rental income

2. Turnover and segment information (Continued)

	Six months ended 30 June 2008					
	Tinplating $'000	**Fresh and live foodstuffs $'000**	**Property leasing $'000**	**Inter-segment elimination $'000**	**Unallocated $'000**	**Consolidated $'000**
Revenue from external customers	**1,255,926**	**105,506**	**12,731**	**-**	**-**	**1,374,163**
Inter-segment revenue	**-**	**-**	**87**	**(87)**	**-**	**-**
Other revenue from external customers	**7,418**	**757**	**34**	**-**	**60**	**8,269**
Total	**1,263,344**	**106,263**	**12,852**	**(87)**	**60**	**1,382,432**
Segment result	**74,659**	**42,851**	**9,214**			**126,724**
Unallocated operating income and expenses						**13,368**
Profit from operations						**140,092**
Share of profits less losses of associates	-	-	-	-	**19,106**	**19,106**
Valuation gains on investment properties	-	-	**2,049**	-	-	**2,049**
Finance costs						**(15,071)**
Profit before taxation						**146,176**

	Six months ended 30 June 2007					
	Tinplating $'000	Fresh and live foodstuffs $'000	Property leasing $'000	Inter-segment elimination $'000	Unallocated $'000	Consolidated $'000
Revenue from external customers	619,034	56,390	13,309	-	-	688,733
Inter-segment revenue	-	-	119	(119)	-	-
Other revenue from external customers	7,830	1,202	38	-	417	9,487
Total	626,864	57,592	13,466	(119)	417	698,220
Segment result	44,865	11,491	9,060			65,416
Unallocated operating income and expenses						(6,310)
Profit from operations						59,106
Non-operating income						40,021
Share of profits less losses of associates	-	-	-	-	13,463	13,463
Valuation gains on investment properties	-	-	12,791	-	-	12,791
Finance costs						(4,097)
Profit before taxation						121,284

2. Turnover and segment information (Continued)

Notes:

(i) The production and sales of tinplate products by a subsidiary, Zhongyue Posco (Qinhuangdao) Tinplate Industrial Co., Ltd ("Zhongyue Posco") commenced in February 2008 following the completion of the construction of tinplate production facilities during the period. This contributes to the increase in revenue and segment result in the tinplating segment for the current period.

(ii) The Group commenced its business as Hong Kong's second distributor for live pigs from mainland China in December 2007. The result is included under fresh and live foodstuffs segment for the current period.

3. Other revenue

	Six months ended 30 June	
	2008	*2007*
	$'000	$'000
Sales of scrap materials	**6,161**	6,467
Interest income	**1,344**	1,485
Management income	**-**	199
Dividends from listed securities	**118**	118
Subsidies received	**-**	354
Others	**764**	982
	8,387	9,605

4. Other net income

	Six months ended 30 June	
	2008	*2007*
	$'000	$'000
Net realised and unrealised (loss)/gain on trading securities	**(1,505)**	1,741
Net gain on forward foreign exchange contracts	**605**	-
Exchange gain	**41,308**	1,625
	40,408	3,366

5. Non-operating income

	Six months ended 30 June	
	2008	2007
	$'000	$'000
Gain on acquisition of minority interests in subsidiaries and dividends payable to the related minority shareholder	**-**	40,021

During the previous period, the Group acquired from the minority shareholder the 5% equity interest in each of Zhongshan Zhongyue Tinplate Industrial Co., Ltd ("Zhongyue Tinplate") and Zhongshan Shan Hai Industrial Co., Ltd ("Shanhai") together with the dividends payable by Zhongyue Tinplate and Shanhai to the minority shareholder for a total consideration of US$499,000 (equivalent to $3,890,000). Following the acquisition, Zhongyue Tinplate and Shanhai became wholly-owned subsidiaries of the Group. The gain represents the excess of the consideration paid over the carrying value of the minority interests acquired and dividends payable transferred to the Group. Both the Group and the minority shareholder are state-controlled entities in the People's Republic of China ("PRC").

6. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		Six months ended 30 June	
		2008	*2007*
(a) Finance costs:	*Note*	***$'000***	*$'000*
Interest on bank advances and other borrowings wholly repayable within 5 years		**15,711**	4,097
Interest on loan from immediate holding company		**327**	-
		16,038	4,097
Less : interest expenses capitalised into construction in progress	(i)	**(967)**	-
		15,071	4,097
(b) Staff costs:			
Net contributions paid to defined contribution plans		**3,990**	2,174
Salaries, wages and other benefits		**39,159**	20,214
		43,149	22,388
(c) Other items:			
Depreciation	(ii)	**35,085**	16,126
Amortisation of land lease premium		**1,414**	895
Operating lease charges in respect of properties		**1,432**	448
Share of associates' taxation	(iii)	**6,433**	1,857
Rentals receivable from investment properties less direct outgoings of $1,251,000 (30 June 2007: $1,071,000)		**(11,480)**	(12,238)

6. Profit before taxation (Continued)

Notes:

(i) The amount represents interest expenses paid for a bank loan borrowed by a subsidiary of the Group specifically for the purpose of the construction of fixed assets.

(ii) The increase in depreciation compared with the previous period is mainly due to the commencement of operation of the tinplate production facilities in Qinhuangdao City, Hebei Province, the PRC.

(iii) Income tax for associates established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

7. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents :

		Six months ended 30 June	
		2008	*2007*
	Note	**$'000**	$'000
Current tax – Provision for Hong Kong Profits Tax			
Provision for Hong Kong Profits Tax at 16.5% (2007: 17.5%) on the estimated assessable profits for the period		**2,038**	131
Current tax – the PRC			
Tax for the period		**15,964**	6,042
Deferred tax			
Origination and reversal of temporary differences		**1,940**	2,584
Effect of change in tax rate in the PRC		**-**	(5,357)
		1,940	(2,773)
	(i)	**19,942**	3,400

Notes:

(i) The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period. Income tax for subsidiaries established and operating in the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

7. Income tax in the consolidated income statement (Continued)

(ii) During the period, the Hong Kong SAR Government promulgated a decrease in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of $25,000. These changes are taken into account in the preparation of the Group's 2008 interim financial report.

(iii) In accordance with the Corporate Income Tax Law of the PRC ("new tax law"), the standard PRC Enterprise Income Tax rate is 25% with effect from 1 January 2008. Furthermore, the State Council of the PRC passed the implementation guidance ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, income tax rate for certain PRC subsidiaries of the Group is gradually changed to the standard rate of 25% over a five-year transition period beginning in year 2008. The impact arising from the change in tax rate is taken into account in the preparation of the Group's interim financial report. The details of the tax relief are disclosed in the following notes.

(iv) In 2006, a subsidiary, Zhongyue Tinplate, was granted a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years on its new production line beginning from 2006. According to the approval from the Tax Bureau of Zhongshan, the proportion of deemed profit from Zhongyue Tinplate's new production line is calculated based on the 40% of the overall taxable income of Zhongyue Tinplate. However, a formal notice on the transitional arrangement under the new tax law has not been issued by the relevant tax authorities up to the date of issue of this interim financial report. In view of this, Zhongyue Tinplate has adopted the standard PRC Enterprise Income Tax rate of 25% for tax provision purposes for the six months ended 30 June 2008 (2007: 10.8%). When the final arrangement is known, any over-provision for income tax expense will be accounted for in future periods.

(v) Zhongyue Posco, being a foreign investment enterprise established in the PRC before the new tax law passed on 16 March 2007, has applied for a tax holiday of a tax-free period for the first and second years and a 50% reduction in the income tax rate for the third to fifth years beginning from the year 2008. Zhongyue Posco has been informed of the approval verbally by the tax authorities but no formal approval document was received up to the date of issue of this interim financial report. The directors believe that Zhongyue Posco could enjoy such tax benefits and therefore no tax provision has been made for the current period.

8. Dividends

(a) Dividends attributable to the period

	Six months ended 30 June	
	2008	*2007*
	$'000	$'000
Interim dividend declared after the interim period of 2.0 cents per ordinary share (30 June 2007: 2.0 cents per ordinary share)	**18,112**	18,078

The interim dividend has not been recognised as a liability at the balance sheet date.

8. Dividends (Continued)

(b) ***Dividends attributable to the previous financial year, approved and paid during the period***

	Six months ended 30 June	
	2008	*2007*
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the period of 2.0 cents per ordinary share (30 June 2007: 2.0 cents per ordinary share)	**18,112**	18,072

9. Earnings per share

(a) ***Basic earnings per share***

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $112,207,000 (30 June 2007: $118,207,000) and the weighted average number of 905,603,285 (30 June 2007: 903,335,329) ordinary shares in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2008	*2007*
	'000	'000
Issued ordinary shares at 1 January	**905,603**	901,583
Effect of share options exercised	**-**	1,752
Weighted average number of ordinary shares at 30 June	**905,603**	903,335

(b) ***Diluted earnings per share***

The diluted earnings per share for the six months ended 30 June 2008 is the same as the basic earnings per share as the potential ordinary shares in respect of outstanding share options were anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2007 was based on the profit attributable to ordinary equity shareholders of the Company of $118,207,000 and the weighted average number of ordinary shares of 905,280,749 after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option schemes.

10. Fixed Assets

(a) Acquisitions

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment with a cost of $70,236,000 (30 June 2007: $236,314,000).

(b) Investment properties

Investment properties situated in Hong Kong carried at fair value were revalued on an open market value basis at 30 June 2008 by an independent firm of surveyors, Vigers Appraisal and Consulting Limited, who have among their staff Members of Hong Kong Institute of Surveyors. Investment properties situated in the PRC carried at fair value were revalued by an independent firm of valuers in the PRC, 廣東財興資產評估土地房地產估價有限公司, on an open market value basis. Based on the valuation, a gain of $2,049,000 (30 June 2007: $12,791,000), and deferred tax thereon of $463,000 (30 June 2007: $2,640,000), have been included in the consolidated income statement.

Investment properties in Hong Kong are pledged to secure the bank loans of $480,000,000 (note 15(a)(iv)).

(c) Leases

The Group leases out investment properties under operating leases. The leases run for an initial period of one to twenty eight years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group held for use in operating leases was $277,320,000 (31 December 2007: $264,224,000).

11. Inventories

Inventories in the consolidated balance sheet comprise:

	At 30 June 2008 **$'000**	*At 31 December 2007* $'000
Raw materials, spare parts and consumables	**275,723**	213,805
Work in progress	**22,116**	48,837
Finished goods	**190,367**	58,701
	488,206	321,343

12. Trade and other receivables, deposits and prepayments

Included in trade and other receivables, deposits and prepayments are trade debtors, bills receivable and trade balances due from related company (net of allowance for bad and doubtful debts), based on invoice date, with the following ageing analysis:

	At 30 June 2008	*At 31 December 2007*
	$'000	$'000
Within 1 month	**259,532**	131,793
1 to 3 months	**176,150**	158,685
More than 3 months but less than 12 months	**82,122**	95,279
	517,804	385,757

In respect of trade and bills receivables relating to the tinplating operation, credit evaluations are performed on all customers requiring credit over a certain amount. The trade receivables are usually due within 30 days from the date of billing and the maturity dates for bills receivables issued by banks range from 3 to 6 months. For the foodstuffs trading business, credit period usually ranges from 1 to 2 months. For distribution of live and fresh foodstuffs, credit period is usually less than 1 month. Payment in advance is usually required for tenants under the Group's property leasing operation. Debtors with balances that are more than one month overdue are requested to settle all outstanding balances before any further credit is granted. Normally the Group does not obtain collateral from customers.

13. Cash and cash equivalents

Analysis of the balances of cash and cash equivalents is set out below:

	At 30 June 2008	*At 31 December 2007*
	$'000	$'000
Deposits with banks	**210,346**	63,394
Cash at bank and in hand	**124,253**	83,615
Cash and cash equivalents in the consolidated balance sheet	**334,599**	147,009
Pledged bank balances	**(144,078)**	(55,900)
	190,521	91,109

14. Trade and other payables

Included in trade and other payables are trade creditors, bills payable and trade balances due to related company with the following ageing analysis:

	At 30 June 2008 **$'000**	*At 31 December 2007* $'000
Due within 1 month or on demand	**327,804**	225,451

15. Borrowings

	Note	***At 30 June 2008*** **$'000**	*At 31 December 2007* $'000
(a) Bank loans			
- unsecured	(i)	**166,294**	281,720
- secured by bills receivable	(ii)	**-**	168,988
- secured by bank deposits	(iii)	**123,749**	52,720
- secured by investment properties	(iv)	**480,000**	-
		770,043	503,428

At 30 June 2008, the bank loans were repayable as follows:

	At 30 June 2008 **$'000**	*At 31 December 2007* $'000
Within 1 year or on demand	**364,738**	423,336
After 1 year but within 2 years	**194,122**	-
After 2 years but within 5 years	**211,183**	80,092
	405,305	80,092
	770,043	503,428

Notes:

(i) Included in the unsecured bank loans are loans granted to Zhongyue Posco, a non-wholly owned subsidiary of the Group with carrying amounts of $80,989,000 (31 December 2007: $80,043,000) and $85,305,000 (31 December 2007: $80,092,000) guaranteed by the minority shareholder and Zhongyue Tinplate, a subsidiary of the Group, respectively.

15. Borrowings (Continued)

(a) Bank loans (Continued)

(ii) As at 31 December 2007, the loans were secured by bills receivable with carrying amounts of $168,988,000.

(iii) The loans are secured by bank deposits of $123,729,000 (31 December 2007: $50,571,000).

(iv) The loans are guaranteed by the Company which also provided the investment properties situated in Hong Kong as collateral.

In addition, it is provided in the loan agreement that if the immediate holding company, GDH Limited ceases to maintain (i) a direct or indirect holding of 50% or more of the voting share capital of the Company, or (ii) an effective management control over the Company, then the lenders are entitled to request immediate repayment of the outstanding loans and all accrued interest.

	At 30 June 2008	*At 31 December 2007*
	$'000	$'000
(b) Loan from immediate holding company	**21,216**	21,216

The loan is unsecured, interest bearing at 3-month Hong Kong Interbank Offered Rate ("HIBOR") + 0.35% per annum and repayable on 31 December 2008.

	At 30 June 2008	*At 31 December 2007*
	$'000	$'000
(c) Loans from minority shareholder	**11,270**	-

The loans were provided to a non-wholly owned subsidiary of the Group and are unsecured, interest free and repayable on 31 December 2008. The Group also provided loans of $11,730,000 to this non-wholly owned subsidiary in proportion to the Group's shareholding.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") throughout the six months ended 30 June 2008.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

Audit Committee

The Company established an audit committee ("Audit Committee") in 1999 and its terms of reference are in line with the CG Code. The Audit Committee comprises the three independent non-executive directors, Mr. Gerard Joseph McMahon (chairman of the Audit Committee), Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. The principal duties of the Audit Committee include, inter alia, the review of the completeness, accuracy and fairness of the Company's financial reports and the Group's internal controls and risk management systems.

The Audit Committee holds regular meetings and it met three times during the six months ended 30 June 2008.

Compensation Committee

The Company established a compensation committee ("Compensation Committee") in 1999 and its terms of reference are in line with the CG Code. The Compensation Committee comprises the chairman of the Board, Mr. Liang Jiang, executive director and general manager, Mr. Tan Yunbiao, and the three independent non-executive directors, Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar (chairman of the Compensation Committee). The principal duties of the Compensation Committee include, inter alia, making recommendations to the Board relating to the Company's policy for directors' and senior management's remuneration, determining the executive directors' and senior management's remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss of offices.

During the six months ended 30 June 2008, two meetings were held by the Compensation Committee to explore into relevant issues.

Nomination Committee

The Company established a nomination committee ("Nomination Committee") in 2005. The Nomination Committee comprises the chairman of the Board, Mr. Liang Jiang who is also chairman of the Nomination Committee, and the three independent non-executive directors, Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar. The principal duties of the Nomination Committee include, inter alia, identifying suitable and qualified individuals to become board members and making recommendation on appointment and reappointment of directors.

During the six months ended 30 June 2008, a meeting was held by the Nomination Committee to explore into relevant issues.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial report and the interim report of the Group for the six months ended 30 June 2008. In addition, the Company's external auditors, KPMG, have also reviewed the aforesaid unaudited interim financial report.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2008, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

Interim Dividend

The Board has resolved to declare the payment of an interim dividend of HK2.0 cents per share (six months ended 30 June 2007: HK2.0 cents per share) for the six months ended 30 June 2008. The interim dividend will be paid on 20 October 2008 to the shareholders whose names appear on the Register of Members on 3 October 2008.

Closure of Register of Members

The Register of Members will be closed on 2 October 2008 and 3 October 2008, during these two days no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, of Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 30 September 2008.

Publication of Interim Results and Interim Report

This interim results announcement is published on the websites of the Company (www.gdguangnan.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The interim report of the Company for 2008 containing all the information required under the Listing Rules will be dispatched to shareholders and made available on the above websites in due course.

By Order of the Board
Liang Jiang
Chairman

Hong Kong, 12 September 2008

As at the date of this announcement, the Board is composed of four executive directors, namely Messrs. Liang Jiang, Li Li, Tan Yunbiao and Sung Hem Kuen, two non-executive directors, namely Mr. Luo Fanyu and Miss Hou Zhuobing, and three independent non-executive directors, namely Mr. Gerard Joseph McMahon, Miss Tam Wai Chu, Maria and Mr. Li Kar Keung, Caspar.