



粵海制革有限公司

GUANGDONG TANNERY LIMITED

Stock Code 股份代號 : 1058



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Corporate Information

Board of Directors

Chen Hong (*Chairman*)
Sun Jun (*Managing Director*)
Xiong Guangyang[#]
Ho Lam Lai Ping, Theresa[#]
Qiao Jiankang[#]
Fung Lak*
Choi Kam Fai, Thomas*
Chan Cheong Tat*

[#] *Non-Executive Director*

* *Independent Non-Executive Director*

Audit Committee

Fung Lak (*Chairman*)
Choi Kam Fai, Thomas
Chan Cheong Tat

Remuneration Committee

Choi Kam Fai, Thomas (*Chairman*)
Fung Lak
Chan Cheong Tat

Nomination Committee

Chen Hong (*Chairman*)
Fung Lak
Choi Kam Fai, Thomas
Chan Cheong Tat

Company Secretary

Lo Sze Sze

Auditors

Ernst & Young

Registered Office

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Share Registrar

Tricor Tengis Limited
26th Floor, Tesbury Centre
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Hong Kong

Share Information

Place of Listing : Main Board of
The Stock Exchange
of Hong Kong Limited
Stock Code : 1058
Board Lot : 2,000 shares
Financial Year End : 31 December

Business and Financial Review

Results

The unaudited consolidated profit attributable to shareholders for the six months ended 30 June 2013 of Guangdong Tannery Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) was HK\$3,380,000, representing a turnaround and an increase of HK\$7,016,000 as compared to the unaudited consolidated loss attributable to shareholders of HK\$3,636,000 for the same period of last year.

The unaudited net asset value of the Group as at 30 June 2013 was HK\$341,396,000, representing an increase of HK\$18,689,000 and HK\$11,823,000 as compared to the net asset value as at 30 June 2012 and 31 December 2012, respectively.

The board of directors of the Company (the “Board”) resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Business Review

During the first half of 2013, the growth in the macro-economy of China declined. The increase in cost of raw materials and labour for the tannery industry resulted in difficult situations arising from the operations of certain footwear manufacturers in China. Notwithstanding such complex environment, the Group insisted on carrying out a stable and sound operation during the period. Comprehensive budget management was implemented strictly. More efforts were devoted to the research and development of new products. More varieties in marketing strategies were adopted, whilst the Group also further promoted the comprehensive collaboration with well-known branded footwear manufacturers. These initiatives ensured the achievement of performance indicators in a steady manner. In addition, the Group further improved the management of its fundamental operation features with an aim to pursue innovation continuously within the industry. The Group also devoted efforts to the establishment of the branding. Subsequent to being awarded the title of “Eco-Leather Mark” by the State in 2012 as the first tannery enterprise in Jiangsu Province, the Group was also selected by “World Leather”, the authoritative journal in the industry as the “Most Innovative Tannery in the World” in its annual awards ceremony in April this year, by virtue of the continuous innovation and pursuit of excellence in environmental treatment and clean production. The said award considerably enhanced the reputation of the Group. Meanwhile, the Group was awarded by China Leather Industry Association in May this year as the Best Supplier of Branded Genuine Leather Products, upon the mutual assessment by industry experts together with upstream and downstream suppliers. The said title further promoted the Group’s branding in the industry’s supply chain.

During the period, the production volume of cowhides was 14,115,000 sq. ft., representing an increase of 2,438,000 sq. ft. or 20.9% as compared to 11,677,000 sq. ft. for the same period of last year. The production volume of grey hides was 6,137 tons, representing a decrease of 681 tons or 10.0% as compared to 6,818 tons for the same period of last year.

During the period, the consolidated turnover of the Group was HK\$321,787,000, representing an increase of HK\$59,599,000 or 22.7% from HK\$262,188,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$275,890,000 (six months ended 30 June 2012: HK\$222,661,000), representing an increase of 23.9%; and the sales value of grey hides and other products amounted to HK\$45,897,000 (six months ended 30 June 2012: HK\$39,527,000), representing an increase of 16.1%. During the period, the decline in the volume of cattle slaughtered resulted in higher price of hides. The pressure on funding continued to expand whilst the enormous inventory of the footwear manufacturers as a whole led to a fall in demand. Coupled with rising costs in raw materials and production, there persisted an irreconcilable conflict with the price of finished products which was difficult to shift upward. Faced with the negative factors above, the Group resolved from strengthening internal control, purchasing and marketing systems. Both sales volume and pricing rose during the period.

Business and Financial Review (Continued)

Business Review (Continued)

In terms of sales, the Group conducted its businesses by strictly adhering to the credit policy measures. As the growth of macro-economy in China slowed down, the business environment turned complicated upon the increase in raw materials and labour costs. Hence, the Group placed more attention to its strategic customers. As to those customers without credit rating, the cash-on-delivery principle has been implemented stringently so as to secure the safety of the Group's assets. Moreover, the Group upheld its market-oriented direction in enhancing the marketing and sales system. Endeavours were used to promote key customers placing orders during low seasons as well as offering products to fulfill customers' needs. The Group closely monitored the market trend and visited its customers. More emphasis was paid on the strategic cooperation relationship with its key customers, whilst business relationship was proactively maintained with customers with lower order volume.

In terms of purchasing, the Group conducted a dynamic analysis on the change in market demand. The change in product cycle of raw materials and the sales cycle of domestic and overseas market were tracked. Through collective research and analysis, the Group captured correct opportunities for purchasing and executed its purchasing strategies in a steady manner. During the period, total purchases amounted to HK\$272,596,000, representing an increase of 1.0% as compared with the same period of last year.

As at 30 June 2013, the Group's consolidated inventory amounted to HK\$190,481,000 (31 December 2012: HK\$200,679,000), representing a decrease of HK\$10,198,000 or 5.1% over that of 31 December 2012. Such decrease was primarily attributable to the extension of scope where our products were applicable upon consolidation of the demand from exports market during the period. Endeavours were used to expand our market horizontally that can increase the uses of our products. A considerable amount of inventory on finished products were disposed of after such reform on product composition, which greatly reduced the pressure brought by excess inventory and improved cash flow accordingly.

Financial Review

As at 30 June 2013, the Group's cash and cash equivalents amounted to HK\$56,829,000 (31 December 2012: HK\$44,513,000), representing an increase of HK\$12,316,000 or 27.7% as compared to the same as at 31 December 2012, which were denominated in Hong Kong dollars (3.0%), Renminbi (96.4%) and United States dollars (0.6%), respectively. During the period, net cash inflow from operating activities was HK\$12,990,000, which was mainly attributable to the increase in cash inflow as a result of the decrease in inventory and bills receivable. The net cash outflow from investing activities was HK\$1,552,000, which mainly represented the expenditures for the acquisition of machinery and equipment.

As at 30 June 2013, the Group's interest-bearing borrowings amounted to HK\$174,084,000 (31 December 2012: HK\$196,110,000), of which interest-bearing borrowings in Hong Kong dollars amounted to HK\$65,000,000 and interest-bearing borrowings in United States dollars amounted to HK\$109,084,000. The Group's borrowings mainly consisted of: (1) balances of short-term loans provided by the bank of HK\$31,705,000, which were secured by bank balances of RMB9,530,000; and (2) balances of short-term unsecured intra-group borrowings of HK\$142,379,000. The above interest-bearing borrowings were charged at floating interest rates.

As at 30 June 2013, the Group's gearing ratio of the interest-bearing borrowings to shareholders' equity plus interest-bearing borrowings was 33.8% (31 December 2012: 37.3%). During the period, the annual interest rate of the borrowings was approximately 1.8% to 3.1%. Of the Group's total borrowings, all were repayable within one year. The Group's interest expenses during the period amounted to HK\$3,112,000, representing an increase of 2.4% from the same period of last year.

Business and Financial Review (Continued)

Financial Review (Continued)

As at 30 June 2013, the total banking facilities of the Group was HK\$477,014,000 (31 December 2012: HK\$341,661,000), of which banking facilities of HK\$31,705,000 (31 December 2012: HK\$53,731,000) were utilised and banking facilities of HK\$445,309,000 (31 December 2012: HK\$287,930,000) were unutilised. Taking into account of the existing cash resources and available credit facilities, as well as the cash flow being generated from the operating activities of the Group, the Group had adequate financial resources to meet its day-to-day operational requirements.

Capital Expenditure

As at 30 June 2013, the net value of non-current assets including prepaid land lease payments and, property, plant and equipment amounted to HK\$117,477,000, representing a decrease of HK\$335,000 over the net value as at 31 December 2012 of HK\$117,812,000. The capital expenditure for the period amounted to HK\$3,539,000 (six months ended 30 June 2012: HK\$2,548,000), which mainly represented the payment of expenditures for the acquisition of machinery and equipment to cope with the production requirements of the Group.

Pledge of Assets

As at 30 June 2013, certain of the Group's bank balances with a total of HK\$11,963,000 (31 December 2012: HK\$13,005,000) were pledged to secure general banking facilities granted to the Group.

Risk of Exchange Rate

The assets, liabilities and transactions of the Group are basically denominated in Hong Kong dollars, United States dollars or Renminbi. The Group is exposed to foreign currency risk primarily from import purchases from overseas suppliers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States Dollar against Renminbi. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the period. Should the Group consider that its exposure to foreign currency risk justifies hedging, the Group may use forward or hedging contracts to reduce the risks.

Remuneration Policy for Employees

As at 30 June 2013, a total of 742 employees (31 December 2012: 730) were employed by the Group. The remuneration policy is based on the Group's operating results and the employees' performance. The Group has adopted a performance-based appraisal scheme for its employees focusing on "accountability and performance". The incentive bonuses to the management, key officers and staff with outstanding performance under the incentive scheme are determined by reference to the Group's operating net cash flow and profit after tax, calculated by various profit rankings and by applying a measure that links bonuses with the operating results of the Group and further taking into account of the individual performance of the staff concerned with an aim to motivate the contribution of its employees. In addition, the Group offered social and medical insurance and provident fund to all employees in different areas. The Company has adopted a new share option scheme in November 2008, with the purpose to provide incentives to the senior management to contribute to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Business and Financial Review (Continued)

Prospects

In the second half of 2013, as the fiscal policies of the State tends to maintain the growth rate of economy at a desired minimum level, overall economic development will slowdown gradually. The outflow of funds arising from diversification of investment made by the footwear manufacturers in China will multiply, whilst excess production capacity of footwear manufacturers will be inevitable as there is no sign that the sluggish position pertaining in exports can relieve. The Group will continue to adhere to the principles of “pragmatism, steady advancement and keeping a watchful eye on business opportunities”, in order to mark a milestone of expanding the environmental standards and proactively explore further development. The main tasks of the Group from now on are: strengthening the core business of the footwear leather production, establishing various systems, creating a team with solid foundations, building hardware support, so as to transform the Group into a distinguish enterprise in the industry. In the meantime, the Group will continue to strengthen its internal control and budget management, and achieve the predetermined operating targets, with a view to guarantee annual operating results and lay a solid foundation for the future development of the Group.

Report on Review of Interim Financial Information



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working world**

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To the board of directors of
Guangdong Tannery Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information of Guangdong Tannery Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 8 to 26, which comprises the condensed consolidated balance sheet as at 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

23 August 2013

Unaudited Interim Financial Information

Condensed Consolidated Income Statement

Six months ended 30 June 2013

	Notes	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
REVENUE	3	321,787	262,188
Cost of sales		(300,691)	(255,342)
Gross profit		21,096	6,846
Other income and gains, net	3	3,639	7,906
Selling and distribution costs		(1,086)	(1,023)
Administrative expenses		(12,593)	(13,358)
Finance costs	4	(3,112)	(3,039)
PROFIT/(LOSS) BEFORE TAX	4	7,944	(2,668)
Income tax expense	5	(4,564)	(968)
PROFIT/(LOSS) FOR THE PERIOD		3,380	(3,636)
EARNINGS/(LOSS) PER SHARE	6		
— Basic		HK0.63 cent	(HK0.68 cent)
— Diluted		HK0.63 cent	N/A

Unaudited Interim Financial Information (Continued)

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2013

	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	3,380	(3,636)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	8,559	(2,624)
Items not to be reclassified to profit or loss in subsequent periods:		
Deficit on revaluation of buildings	(367)	(27)
Income tax effect	92	7
	(275)	(20)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	8,284	(2,644)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	11,664	(6,280)

Unaudited Interim Financial Information (Continued)

Condensed Consolidated Balance Sheet

30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		103,129	103,560
Prepaid land lease payments		14,348	14,252
Total non-current assets		117,477	117,812
CURRENT ASSETS			
Inventories		190,481	200,679
Receivables, prepayments and deposits	8	236,179	236,455
Pledged bank balances		11,963	13,005
Cash and bank balances		56,829	44,513
Total current assets		495,452	494,652
CURRENT LIABILITIES			
Trade payables	9	50,176	39,995
Other payables and accruals		37,409	37,212
Interest-bearing bank borrowings	10	31,705	53,731
Due to a PRC joint venture partner	16(c)(ii)	1,131	1,131
Loans from the immediate holding company	10, 11	142,379	142,379
Provision		4,004	3,934
Tax payable		4,528	4,200
Total current liabilities		271,332	282,582
NET CURRENT ASSETS		224,120	212,070
TOTAL ASSETS LESS CURRENT LIABILITIES		341,597	329,882
NON-CURRENT LIABILITIES			
Deferred tax liabilities		201	309
Total non-current liabilities		201	309
Net assets		341,396	329,573
EQUITY			
Issued capital	12	53,802	53,802
Reserves	13	287,594	275,771
Total equity		341,396	329,573

Unaudited Interim Financial Information (Continued)

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2013

	Issued capital	Share premium account	Equity component of convertible notes	General reserve fund	Reserve funds	Share option reserve	Capital redemption reserve	Exchange translation reserve	Property revaluation reserve	Special capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (Audited)	53,802	20,785	5,545	167,746	15,987	2,287	445	95,440	1,832	2,344	(37,803)	328,410
Loss for the period	-	-	-	-	-	-	-	-	-	-	(3,636)	(3,636)
Other comprehensive loss for the period:												
Deficit on revaluation of buildings, net of tax	-	-	-	-	-	-	-	-	(20)	-	-	(20)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(2,624)	-	-	-	(2,624)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(2,624)	(20)	-	(3,636)	(6,280)
Equity-settled share option arrangements	-	-	-	-	-	577	-	-	-	-	-	577
Transfer to accumulated losses in accordance with the Undertaking (note 13(b))	-	-	-	-	-	-	-	-	-	(190)	190	-
At 30 June 2012 (Unaudited)	53,802	20,785*	5,545*	167,746*	15,987*	2,864*	445*	92,816*	1,812*	2,154*	(41,249)*	322,707
At 1 January 2013 (Audited)	53,802	20,785	5,545	167,746	17,521	2,068	445	95,392	2,229	2,329	(38,289)	329,573
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,380	3,380
Other comprehensive income for the period:												
Deficit on revaluation of buildings, net of tax	-	-	-	-	-	-	-	-	(275)	-	-	(275)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	8,559	-	-	-	8,559
Total comprehensive income for the period	-	-	-	-	-	-	-	8,559	(275)	-	3,380	11,664
Equity-settled share option arrangements	-	-	-	-	-	159	-	-	-	-	-	159
Transfer from accumulated losses in accordance with the Undertaking (note 13(b))	-	-	-	-	-	-	-	-	-	613	(613)	-
At 30 June 2013 (Unaudited)	53,802	20,785*	5,545*	167,746*	17,521*	2,227*	445*	103,951*	1,954*	2,942*	(35,522)*	341,396

* These reserve accounts comprise the consolidated reserves of HK\$287,594,000 (30 June 2012: HK\$268,905,000) in the condensed consolidated balance sheet as at 30 June 2013.

Unaudited Interim Financial Information (Continued)

Condensed Consolidated Cash Flow Statement

Six months ended 30 June 2013

	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	12,990	(52,727)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(1,552)	17,920
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11,438	(34,807)
Cash and cash equivalents at beginning of period	44,513	81,672
Effect of foreign exchange rate changes, net	878	(315)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	56,829	46,550
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	56,829	46,550

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information

30 June 2013

1. Accounting Policies

The unaudited interim condensed consolidated financial information is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are the same as those used in the annual financial statements for the year ended 31 December 2012.

1.1 Changes In Accounting Policies and Disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s unaudited interim condensed consolidated financial information.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of amendment to HKAS 1 and HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial information.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains or losses on defined benefit plans and revaluation of land and buildings). The Group’s presentation of other comprehensive income in the unaudited interim condensed consolidated financial information has been modified accordingly.

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

1. Accounting Policies (Continued)

1.1 Changes In Accounting Policies and Disclosures (Continued)

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. Some of the disclosures are specifically required for financial instruments in the unaudited interim condensed consolidated financial information. The Group has provided those disclosures in note 14.

1.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this unaudited interim condensed consolidated financial information.

HKFRS 9	<i>Financial Instruments</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	<i>Recoverable Amount Disclosures for Non-financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 — <i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial positions.

2. Operating Segment Information

No separate analysis of segment information is presented by the Group as over 90% of the Group's revenue, results and assets relate to the processing and sale of semi-finished and finished leather in the People's Republic of China (the "PRC" or "Mainland China").

Information about a major customer

During the period, revenue of approximately HK\$63,520,000 (six month ended 30 June 2012: HK\$69,192,000) was derived from sales to a single customer, which contributed approximately 20% (six month ended 30 June 2012: 26%) of the total revenue.

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

3. Revenue, Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and value-added tax.

An analysis of revenue, other income and gains, net is as follows:

	Six months ended 30 June	
	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Unaudited)
Revenue		
Processing and sale of leather	321,787	262,188
Other income and gains, net		
Interest income	70	286
Foreign exchange gains, net	2,660	129
Sale of scrap materials	539	623
Government subsidies	–	4,311
Surplus on valuation of buildings	–	1,670
Gain on disposal of items of property, plant and equipment	314	8
Others	56	879
	3,639	7,906

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

4. Profit/(Loss) Before Tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Cost of inventories sold	298,565	256,196
Depreciation	4,986	3,981
Interest on:		
Bank loans	1,076	1,369
Loans from the immediate holding company	2,036	1,670
	3,112	3,039
Provision/(reversal of provision) for inventories	2,126	(854)
Write-back of impairment for trade receivables	(96)	(892)

5. Income Tax Expense

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six month ended 30 June 2012: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates.

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Group:		
Current — Mainland China	4,564	550
Deferred	—	418
Total tax charge for the period	4,564	968

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

6. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts for the period ended 30 June 2013 is based on the profit for the period. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential share options into ordinary shares.

Diluted loss per share for the period ended 30 June 2012 has not been disclosed, as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share.

The calculations of basic earnings/(loss) per share and diluted earnings per share are based on:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Earnings/(loss)		
Profit/(loss) for the period, used in the basic earnings/(loss) per share calculations	3,380	(3,636)
	Number of shares	
	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculations	538,019,000	538,019,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	71,460	N/A
	538,090,460	N/A

7. Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six month ended 30 June 2012: Nil).

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

8. Receivables, Prepayments and Deposits

As at 30 June 2013, included in the Group's receivables, prepayments and deposits are trade and bills receivables with a net balance of HK\$233,400,000 (31 December 2012: HK\$232,532,000).

The Group's trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended for 2 to 3 months. Each customer has a maximum credit limit. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade and bills receivables as at the balance sheet dates, based on the settlement due date, is as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Current	232,775	231,787
Less than 3 months	733	845
3 to 6 months	–	7
Over 6 months	73	166
	233,581	232,805
Impairment	(181)	(273)
	233,400	232,532

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

9. Trade Payables

An aged analysis of the Group's trade payables as at the balance sheet dates, based on the date of receipt of goods, is as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Within 3 months	34,810	30,267
3 to 6 months	12,338	6,808
Over 6 months	3,028	2,920
	50,176	39,995

The trade payables of the Group are non-interest-bearing and are normally settled on terms of 60 to 90 days.

10. Interest-Bearing Bank and Other Borrowings

	30 June 2013 (Unaudited)			31 December 2012 (Audited)		
	Effective interest rate (%)	Maturity	Amount HK\$'000	Effective interest rate (%)	Maturity	Amount HK\$'000
Current						
Trust receipt loans, secured	2.07–2.48	2013	31,705	2.01–2.50	2013	53,731
Loans from the immediate holding company (note 11)	2.78–2.90	2013	142,379	2.81–2.90	2013	142,379

Note:

The Group's trust receipt loan facilities which are denominated in United States dollars and amounted to HK\$477,014,000 (31 December 2012: HK\$341,661,000) are secured by the pledge of certain of the Group's bank balances and supported by corporate guarantees executed by the Company (31 December 2012: pledge of certain of the Group's bank balances and supported by corporate guarantees executed by the Company). The balance of HK\$31,705,000 had been utilised at 30 June 2013 (31 December 2012: HK\$53,731,000).

Details of the pledge of assets are included in note 17 to the financial statements.

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

11. Loans from the Immediate Holding Company

The following table illustrates the loans from GDH Limited, the Company's immediate holding company:

<i>Notes</i>	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
(a)	22,779	22,779
(b)	65,000	65,000
(c)	54,600	54,600
	142,379	142,379

Notes:

- (a) The balance represents an unsecured loan of US\$2,920,000 (31 December 2012: US\$2,920,000), which bears interest at 3-month LIBOR + 2.5% (31 December 2012: 3-month LIBOR + 2.5%) per annum and is repayable on 31 July 2013 (31 December 2012: repayable on 31 July 2013).
- (b) The balance represents an unsecured loan of HK\$65,000,000 (31 December 2012: HK\$65,000,000), which bears interest at 3-month HIBOR + 2.5% (31 December 2012: 3-month HIBOR + 2.5%) per annum and is repayable on 9 August 2013 (31 December 2012: repayable on 9 August 2013).
- (c) The balance represents an unsecured loan of US\$7,000,000 (31 December 2012: US\$7,000,000), which bears interest at 3-month LIBOR + 2.5% (31 December 2012: 3-month LIBOR + 2.5%) per annum and is repayable on 30 December 2013 (31 December 2012: repayable on 30 December 2013).

12. Share Capital

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Authorised: 700,000,000 ordinary shares of HK\$0.10 each	70,000	70,000
Issued and fully paid: 538,019,000 (31 December 2012: 538,019,000) ordinary shares of HK\$0.10 each	53,802	53,802

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

12. Share Capital (Continued)

Share option scheme

On 24 November 2008, the Company adopted a new share option scheme (the “2008 Scheme”).

The purpose of the 2008 Scheme is to provide incentives to selected employees, officers and directors who contribute to the Group and to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such employees, officers and directors or to serve such other purposes as the Board may approve from time to time. Eligible persons of the 2008 Scheme include the employees, officers or directors of a member of the Group. The 2008 Scheme, unless otherwise terminated or amended, will remain in force for 10 years from 24 November 2008.

As at 30 June 2013, there were 11,236,000 share options outstanding under the 2008 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,236,000 additional ordinary shares of the Company and additional share capital of HK\$1,124,000 and share premium of HK\$3,701,000 (before issue expenses).

13. Reserves

The amounts of the Group’s reserves and the movements therein for the current and prior periods are presented in the unaudited interim condensed consolidated statement of changes in equity.

- (a) The general reserve fund of the Group is an undistributable reserve and may not be treated as realised profits.

On 25 November 1996, a court confirming the reduction of the share premium account by HK\$133,349,000 was registered by the Registrar of Companies in Hong Kong and the credit arising therefrom was transferred to the general reserve fund against which goodwill arising on the acquisition of a subsidiary was eliminated in the consolidated financial statements. In the year ended 31 December 2002, there was a release of goodwill of HK\$133,349,000 in respect of impairment of an investment in a subsidiary relating to the goodwill arising from acquisition of that subsidiary in 1996.

Pursuant to a special resolution passed in the Group’s extraordinary general meeting held on 23 January 1998 and confirmed by the Order of the High Court of Hong Kong Special Administrative Region of the PRC (the “Court”) dated 2 March 1998, the share premium account was reduced by the amount of HK\$34,397,000 and, as undertaken by the Group, a general reserve fund was credited in the books of accounts of the Group in the same amount for the purpose of setting off, in the consolidated financial statements of the Group and its subsidiaries, goodwill arising on consolidation in 1997. In 2000 and 2001, there was a release of goodwill of HK\$12,478,000 and HK\$21,919,000, respectively, in respect of impairment of investments in subsidiaries relating to the goodwill arising from the acquisition of the subsidiaries in 1997.

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

13. Reserves (Continued)

- (b) Pursuant to a special resolution was passed by the shareholders of the Company on 1 February 2011 and confirmed by the court as registered with the Registrar of the Company on 29 March 2011 (the "Effective Date"), the share premium of the Company (the "Share Premium Reduction") was reduced by the amount of HK\$393,345,845 by applying the credit arising from such reduction to eliminate the accumulated losses of the Company by the same amount.

In connection with the application for the Share Premium Reduction (the "Application"), the Company undertakes that in the event of the Company making any future recoveries of the assets identified in the Application for which provision for impairment in value or amortisation was made in the accounts of the Company between 31 December 2000 and 30 June 2010 (the "Assets"), beyond their written down value in the Company's accounts as at 30 June 2010, all such recoveries beyond that written down value up to an amount of HK\$150,345,170 (the "Limit") will be credited to a special capital reserve in the accounting records of the Company (the "Special Capital Reserve"), and that so long as there shall remain outstanding any debt of, or claim against, the Company which, if the Effective Date was the date of the commencement of the winding up of the Company, would be admissible to proof in such winding up and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, such reserve shall not be treated as realised profits for the purposes of section 79B of the Hong Kong Companies Ordinance and shall (for so long as the Company shall remain a listed company) be treated as an undistributable reserve of the Company for the purposes of section 79C of the Hong Kong Companies Ordinance, or any statutory re-enactments or modifications thereof provided that:

- (1) the Company shall be at liberty to apply the Special Capital Reserve for the same purposes as a share premium account may be applied;
- (2) the Limit in respect of the Special Capital Reserve may be reduced by the amount of any increase, after the Effective Date, in the amount standing to the credit of the share premium account of the Company as the result of the paying up of shares by the receipt of new consideration or the capitalisation of distributable profits;
- (3) the Limit in respect of the Special Capital Reserve may be reduced upon the disposal or other realisation, after the Effective Date, of the Assets by the amount of the impairment in value and amortisation made in relation to such asset as at 30 June 2010 less such amount (if any) as is credited to the Special Capital Reserve as a result of such disposal or realisation; and
- (4) in the event that the amount standing to the credit of the Special Capital Reserve exceeds the Limit thereof after any reduction of such Limit pursuant to provisos (2) and/or (3) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution.

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

13. Reserves (Continued)

(b) (Continued)

During the six months ended 30 June 2013, recovery of the Assets by way of release of provision was HK\$613,000. This resulted in a transfer of HK\$613,000 from accumulated losses to the Special Capital Reserve of the Group.

During the six months ended 30 June 2012, an additional provision for impairment on the Assets was HK\$190,000. This resulted in a transfer of HK\$190,000 from the Special Capital Reserve to accumulated losses of the Group.

As a result of the foregoing, the Limit, as adjusted, was HK\$150,273,970 (31 December 2012: HK\$150,273,970) and the amount standing to the credit of the Group's Special Capital Reserve was HK\$2,942,000 as at 30 June 2013 (31 December 2012: HK\$2,329,000).

14. Financial Instruments

The carrying amounts of each of the categories of financial instruments as at 30 June 2013 are as follows:

Financial assets

	30 June 2013 Loans and receivables HK\$'000 (Unaudited)	31 December 2012 Loans and receivables HK\$'000 (Audited)
Trade and bills receivables	233,400	232,532
Financial assets included in prepayments, deposits and other receivables	21	21
Pledged bank balances	11,963	13,005
Cash and bank balances	56,829	44,513

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

14. Financial Instruments (Continued)

Financial liabilities

	30 June 2013 Financial liabilities at amortised cost HK\$'000 (Unaudited)	31 December 2012 Financial liabilities at amortised cost HK\$'000 (Audited)
Trade payables	50,176	39,995
Financial liabilities included in other payables and accruals	25,637	26,757
Interest-bearing bank borrowings	31,705	53,731
Due to a PRC joint venture partner	1,131	1,131
Loans from the immediate holding company	142,379	142,379

The carrying amounts of the Group's financial assets and financial liabilities approximately their fair values.

15. Commitments

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Contracted, but not provided for:		
Land and buildings	1,399	1,395
Leasehold improvements	63	62
Plant and machinery	671	2,308
	2,133	3,765

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

16. Related Party Transactions

(a) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these unaudited interim condensed consolidated financial information, the Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Office rental paid to a fellow subsidiary	173	173
Interest expense to the immediate holding company	2,036	1,670

(b) Commitments with related parties

On 1 April 2011, the Company entered into a three-year office rental agreement ending 5 February 2014 with Global Head Developments Limited, a fellow subsidiary of the Company. As at 30 June 2013, the total operating lease commitments due within one year were HK\$207,000. As at 31 December 2012, the total operating lease commitments due within one year and in the second to fifth years were approximately HK\$346,000 and HK\$34,000, respectively.

(c) Outstanding balances with related parties

- (i) Details of the loans from the immediate holding company as at the balance sheet date are included in note 11 to the unaudited interim condensed consolidated financial information.
- (ii) The amount due to a PRC joint venture partner is unsecured, interest-free and has no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Short term employee benefits	1,131	606
Post-employment benefits	148	113
Equity-settled share option expense	56	203
Total compensation paid to key management personnel	1,335	922

Unaudited Interim Financial Information (Continued)

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2013

17. Pledge of Assets

As at 30 June 2013, assets of the Group pledged to banks to secure general banking facilities granted to the Group were as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Bank balances	11,963	13,005

18. Approval of the Interim Financial Information

These unaudited interim condensed consolidated financial information were approved and authorised for issue by the Board on 23 August 2013.

Directors' Interests and Short Positions in Securities

As at 30 June 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules"), were as follows:

(I) Interests and Short Positions in the Company

(1) Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held <i>(Note)</i>
Sun Jun	Personal	40,000	Long position	0.01%
Xiong Guangyang	Personal	230,000	Long position	0.04%
Ho Lam Lai Ping, Theresa	Personal	200,000	Long position	0.04%
Fung Lak	Personal	1,380,000	Long position	0.26%
Choi Kam Fai, Thomas	Personal	60,000	Long position	0.01%

Note: The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of the Company in issue as at 30 June 2013.

Directors' Interests and Short Positions in Securities (Continued)

(I) Interests and Short Positions in the Company (Continued)

(2) Interests in share options relating to ordinary shares (long positions)

Name of Director	Date of grant of share options (dd.mm.yyyy)	Number of share options					At 30 June 2013	Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary shares at date immediately before the grant** HK\$ (per share)	Price of ordinary shares at date immediately before the exercise date** HK\$ (per share)
		At date of grant	At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/lapsed during the period					
Chen Hong	14.07.2010	5,110,000	3,066,000	-	-	-	3,066,000	-	0.435	0.435	-
Sun Jun	24.11.2008	200,000	40,000	-	-	-	40,000	-	0.278	0.27	-
	14.07.2010	1,260,000	756,000	-	-	-	756,000	-	0.435	0.435	-
Xiong Guangyang	24.11.2008	1,150,000	230,000	-	-	-	230,000	-	0.278	0.27	-
	14.07.2010	4,320,000	2,592,000	-	-	-	2,592,000	-	0.435	0.435	-
Qiao Jiankang	14.07.2010	1,780,000	1,068,000	-	-	-	1,068,000	-	0.435	0.435	-

Notes to the above share options granted pursuant to the 2008 Scheme:

- (a) The option period of all the share options is five years and six months from the date of grant.
- (b) Any share option is only exercisable during the option period after it has become vested.
- (c) The normal vesting scale of the share options is as follows:

Date	Percentage vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

- (d) The vesting of the share options is further subject to the achievement of such performance targets as determined by the Board upon grant and stated in the offer of grant.

Directors' Interests and Short Positions in Securities (Continued)

(I) Interests and Short Positions in the Company (Continued)

(2) Interests in share options relating to ordinary shares (long positions) (Continued)

Notes to the above share options granted pursuant to the 2008 Scheme (Continued):

- (e) The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	Percentage vesting
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

- * The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

- ** The price of the Company's ordinary shares disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the share options were granted.

The price of the Company's ordinary shares disclosed as "at date immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the directors of the Company or all other participants as an aggregate whole.

(II) Interests and Short Positions in Guangdong Investment Limited ("GDI")

(1) Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held <i>(Note)</i>
Ho Lam Lai Ping, Theresa	Personal	2,207,000	Long position	0.04%

Note: The approximate percentage of interests held was calculated on the basis of 6,238,163,071 ordinary shares of GDI in issue as at 30 June 2013.

Directors' Interests and Short Positions in Securities (Continued)

(II) Interests and Short Positions in Guangdong Investment Limited ("GDI") (Continued)

(2) Interests in share options relating to ordinary shares (long positions)

Name of Director	Date of grant of share options (dd.mm.yyyy)	Number of share options					Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary shares at date immediately before the grant** HK\$ (per share)	Price of ordinary shares at date immediately before the exercise date** HK\$ (per share)
		At date of grant	At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/lapsed during the period				
Ho Lam Lai Ping,	24.10.2008	2,400,000	1,440,000	-	(447,000)	-	993,000	1.88	1.73	6.82
Theresa	22.01.2013	1,256,000	-	1,256,000	-	-	1,256,000	6.20	6.30	-

Notes to the above share options granted pursuant to the share option scheme adopted by GDI:

- The option period of all the share options is five years and six months from the date of grant.
- Any share option is only exercisable during the option period after it has become vested.
- The normal vesting scale of the share options is as follows:

Date	Percentage vesting
The date two years after the date of grant	40%
The date three years after the date of grant	30%
The date four years after the date of grant	10%
The date five years after the date of grant	20%

- The vesting of the share options is further subject to the achievement of such performance targets as determined by the board of directors of GDI upon grant and stated in the offer of grant.
- The leaver vesting scale of the share options that would apply in the event of the grantee ceasing to be an eligible person under certain special circumstances (less the percentage which has already vested under the normal vesting scale or lapsed) is as follows:

Date on which event occurs	Percentage vesting
On or before the date which is four months after the date of grant	0%
After the date which is four months after but before the date which is one year after the date of grant	10%
On or after the date which is one year after but before the date which is two years after the date of grant	25%
On or after the date which is two years after but before the date which is three years after the date of grant	40%
On or after the date which is three years after but before the date which is four years after the date of grant	70%
On or after the date which is four years after the date of grant	80%
	The remaining 20% also vests upon passing the overall performance appraisal for those four years

Directors' Interests and Short Positions in Securities (Continued)

(II) Interests and Short Positions in Guangdong Investment Limited ("GDI") (Continued)

(2) Interests in share options relating to ordinary shares (long positions) (Continued)

Notes to the above share options granted pursuant to the share option scheme adopted by GDI (Continued):

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of GDI.

** The price of the ordinary shares of GDI disclosed as "at date immediately before date of grant" of the share options is the closing price on the Hong Kong Stock Exchange on the business day prior to which the share options were granted.

The price of the ordinary shares of GDI disclosed as "at date immediately before the exercise date" of the share options is the weighted average of the Hong Kong Stock Exchange closing prices immediately before the dates on which the share options were exercised by each of the directors of GDI or all other participants as an aggregate whole.

(III) Interests and Short Positions in Kingway Brewery Holdings Limited ("Kingway")

Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held <i>(Note)</i>
Ho Lam Lai Ping, Theresa	Personal	398,000	Long position	0.02%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Kingway in issue as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, to the knowledge of the Company, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company or its holding companies, or any of its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 30 June 2013, so far as is known to any director or the chief executive of the Company, the following persons (other than a director or the chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held (Note 1)
廣東粵海控股有限公司 (Guangdong Holdings Limited) (Note 2)	Interest in controlled corporation	383,820,000	Long position	71.34%
GDH Limited	Beneficial owner	383,820,000	Long position	71.34%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of the Company in issue as at 30 June 2013.
2. The attributable interest which 廣東粵海控股有限公司 (Guangdong Holdings Limited) has in the Company is held through its 100% direct interest in GDH Limited.

Save as disclosed above, as at 30 June 2013, so far as is known to any director or the chief executive of the Company, there were no other persons (other than a director or the chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO.

Share Options of the Company

As at 30 June 2013, save as disclosed in the section of “Directors’ Interests and Short Positions in Securities” of this report, certain eligible persons (other than directors of the Company) had the following interests in rights to subscribe for shares of the Company granted under the 2008 Scheme. Each option gives the holder the right to subscribe for one share of par value HK\$0.10 each of the Company. Further details are set out in note 12 to the unaudited interim condensed consolidated financial information and the detailed terms of the 2008 Scheme were disclosed in the annual report 2012 of the Company.

Category of participants	Date of grant of share options (dd.mm.yyyy)	Number of share options						Total consideration paid for share options granted HK\$	Exercise price of share options* HK\$ (per share)	Price of ordinary shares at date immediately before date of grant** HK\$ (per share)	Price of ordinary shares at date immediately before the exercise date** HK\$ (per share)
		At date of grant	At 1 January 2013	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	At 30 June 2013				
Senior Management	24.11.2008	650,000	130,000	-	-	-	130,000	-	0.278	0.27	-
	14.07.2010	2,980,000	1,788,000	-	-	-	1,788,000	-	0.435	0.435	-
Employee	14.07.2010	570,000	342,000	-	-	-	342,000	-	0.435	0.435	-
Other participant	14.07.2010	2,040,000	1,224,000	-	-	-	1,224,000	-	0.435	0.435	-

Note: Additional information regarding the above share options granted under the 2008 Scheme is set out in the “Notes to the above share options granted pursuant to the 2008 Scheme” in the section headed “Directors’ Interests and Short Positions in Securities” of this report on pages 28 to 29.

Corporate Governance and Other Information

Corporate Governance Code

The Company has complied with the applicable code provisions in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013, save for Code Provision A.6.7, a non-executive director was unable to attend the annual general meeting of the Company held on 30 May 2013 as he was out of town and had other engagement.

At the Board meeting of the Company held on 23 August 2013, the Company has approved and adopted a diversity policy (the “Policy”) which sets out its approach to achieve diversity on the Company’s Board of Directors. The Nomination Committee of the Company is responsible for monitoring the Company’s performance in meeting the requirements of the Policy, including the achievement of those measurable objectives as set out in the Policy.

Directors’ Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. All directors of the Company confirmed, upon specific enquiry by the Company, that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2013.

Changes in Directors’ Information

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company in respect of the period between 1 January 2013 and the date of this report are set out below:

Commencing 1 January 2013, the salary, allowances and benefits in kind of Mr. Chen Hong and Mr. Sun Jun amount to approximately HK\$693,000 per annum and RMB342,000 per annum, respectively.

Review of Interim Results

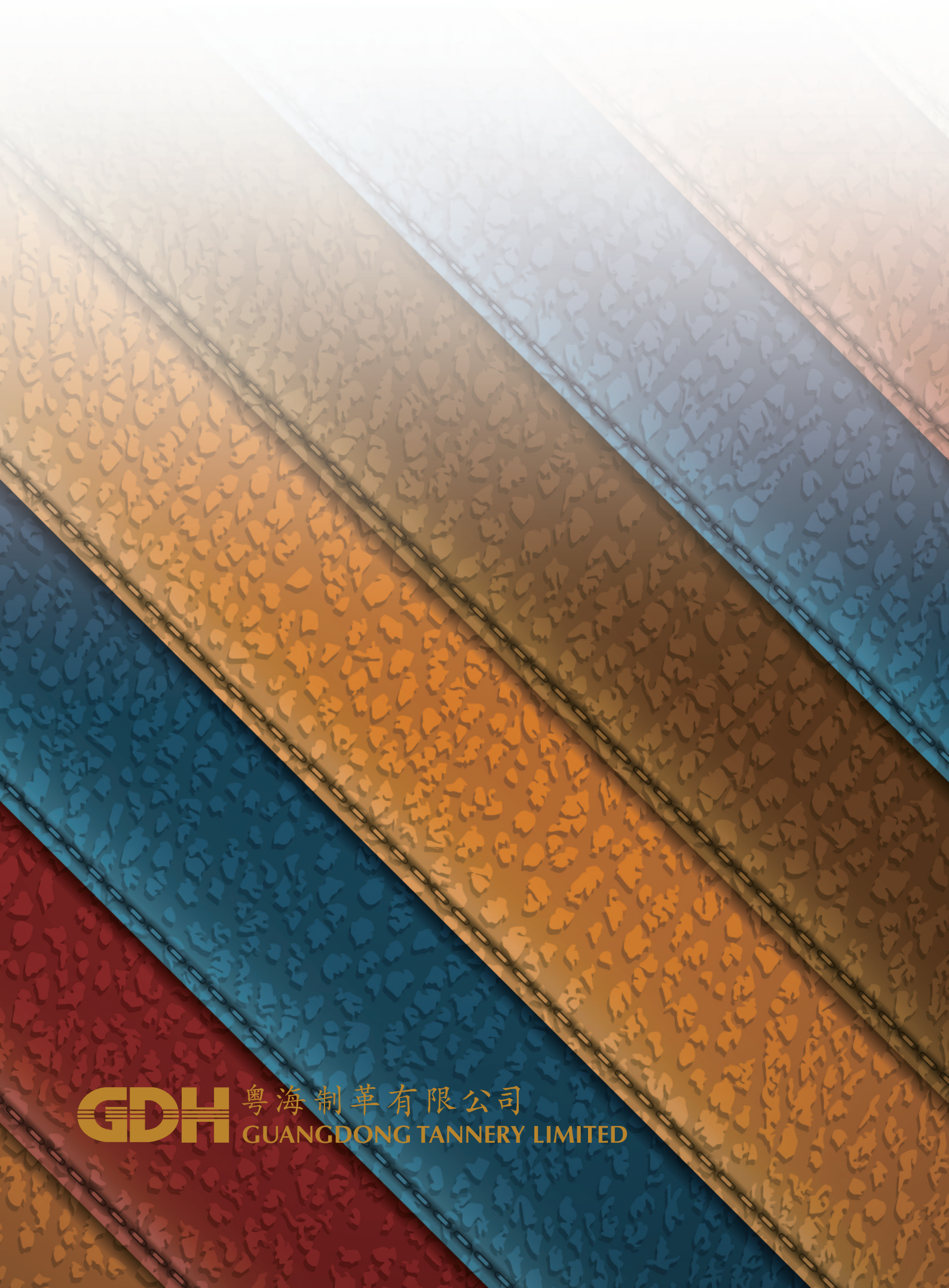
The Audit Committee has reviewed the unaudited interim financial information of the Group and the Company’s interim report for the six months ended 30 June 2013. In addition, the Company’s auditors, Messrs. Ernst & Young, have also reviewed the aforesaid unaudited interim financial information.

Purchase, Sale and Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2013.

By order of the Board
Chen Hong
Chairman

Hong Kong, 23 August 2013



GDH 粤海制革有限公司
GUANGDONG TANNERY LIMITED