



粵海制革有限公司

GUANGDONG TANNERY LIMITED

(股份代號 Stock Code: 1058)



2014

INTERIM REPORT 中期報告

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Corporate Information

Board of Directors

Chen Hong (*Chairman*)
Sun Jun (*Managing Director*)
Liu Bing[#]
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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148 Connaught Road Central
Hong Kong

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Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 2014 of Guangdong Tannery Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) was HK\$2,079,000, representing a decrease of HK\$1,301,000 or 38.5% as compared to the unaudited consolidated profit attributable to shareholders of HK\$3,380,000 for the same period of last year.

The unaudited net asset value of the Group as at 30 June 2014 was HK\$349,428,000, representing an increase of HK\$8,032,000 and a decrease of HK\$3,384,000 as compared to the net asset value as at 30 June 2013 and 31 December 2013, 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 2014 (six months ended 30 June 2013: Nil).

Business Review

During the first half of the year, the footwear leather goods market was sluggish in general with competition intensifying against the situation of diminishing overseas demand and weak domestic demand. The operating results of the Group deteriorated as weighed on by the continuously surging price of cowhides and depreciation of Renminbi. Through the analysis on the reasons of unbalanced demand and supply on the leather market during the recent years and the resultant overall continual upward price tendency of the cowhides, the Group upheld a prudent operating strategy and implemented a comprehensive budget management in depth. On the one hand, the Group adopted a marketing strategy tilted towards direct selling to ensure stable production and sales. On the other hand, the Group stepped up its research and development efforts and strived to enhance the leather yield to alleviate the influence of negative factors such as a weak market and the rising costs, which enabled the Group to mitigate the operating risks amidst a fragile economic environment.

During the period, the production volume of cowhides was 12,106,000 sq. ft., representing a decrease of 2,009,000 sq. ft. or 14.2% as compared to 14,115,000 sq. ft. for the same period of last year. The production volume of grey hides was 3,406 tons, representing a decrease of 2,731 tons or 44.5% as compared to 6,137 tons for the same period of last year. During the period, the total sales volume of cowhides was 12,507,000 sq. ft., representing a decrease of 678,000 sq. ft. or 5.1% as compared to 13,185,000 sq. ft. for the same period of last year. The sales volume of grey hides was 3,406 tons, representing a decrease of 2,731 tons or 44.5% as compared to 6,137 tons for the same period of last year.

Business and Financial Review (Continued)

Business Review (Continued)

During the period, the consolidated turnover of the Group was HK\$320,072,000, representing a decrease of HK\$1,715,000 or 0.5% from HK\$321,787,000 for the same period of last year, of which the sales value of cowhides amounted to HK\$273,005,000 (six months ended 30 June 2013: HK\$275,890,000), representing a decrease of 1.0%; and the sales value of grey hides and other products amounted to HK\$47,067,000 (six months ended 30 June 2013: HK\$45,897,000), representing an increase of 2.5%. Exports to the markets in Europe and the United States failed to show a clear rebound during the period, as reflected in a significant shrinkage in the orders from export footwear manufacturers. In respect of the domestic market, production volume went down with the reduction in overall demand that was aggravated by the overstocks backlog amongst the footwear manufacturers. At the same time, the population of livestock cattle declined to a historic low after three consecutive years of drought in the United States, leading to an unbalance between the demand for cowhides and the volume of cattle slaughtered and the substantial surge in the price of cowhides against the historic cycles as a consequence. 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. In face of the above unfavourable factors, the Group adopted aggressive measures to reinforce its internal control, purchasing and marketing systems, conduct research and development of new products, enhance the leather yield, fortify its core competitive edges and avert the operating risks.

In respect of sales, at the beginning of the reporting period, the Group has established the sales strategy tilted towards direct selling to sizeable branded footwear manufacturers with the objectives of ensuring stable production and sales and averting the risks of trade receivables. During the first half of the year, the Group successfully boosted the cooperation with renowned footwear manufacturers. Leveraging on the input and stimulation brought by the cooperative partner, the Group looked to further expand its product market through the enhancement of its product style under research and development. The cooperation also allowed the Group to use effective market resources to secure the orders beforehand and to ensure the continuous production under orders. Furthermore, the Group's exposure to credit risks arising from industry reshuffle was significantly lowered through its cooperation with branded footwear manufacturers possessing strong asset quality. During the period, the Group maximised the transfer of rising costs of cowhides to the selling price of the finished leather in order to minimise the cost pressure caused by the rising cost of cowhides.

In respect of purchasing, the Group closely monitored the price movement of cowhides and accordingly adopted a prudent purchasing strategy. It also stringently implemented the supplier assessment system and the product assessment system to ensure the product quality. During the period, the Group proactively reinforced the management of chemical material purchasing to effectively lower the purchasing cost of the chemical materials, minimise the overstocking of chemical materials and prevent obsolescence. During the period, total purchases amounted to HK\$301,281,000, representing an increase of 10.5% as compared to the same period of last year.

As at 30 June 2014, the Group's consolidated inventory amounted to HK\$264,876,000 (31 December 2013: HK\$276,049,000), representing a decrease of HK\$11,173,000 or 4.0% over that of 31 December 2013. During the period, the Group effectively lowered the level of aged inventory to enhance liquidity through adjusting its production techniques in response to the inventory characteristics and developing products that meet the customers need.

Business and Financial Review (Continued)

Financial Review

As at 30 June 2014, the Group's cash and cash equivalents amounted to HK\$53,360,000 (31 December 2013: HK\$56,569,000), representing a decrease of HK\$3,209,000 or 5.7% as compared to the same as at 31 December 2013, which were denominated in Hong Kong dollars (14.7%), Renminbi (84.6%) and United States dollars (0.7%), respectively. During the period, net cash inflow from operating activities was HK\$15,862,000, which was mainly attributable to an increase in cash inflow as a result of an increase in interest-bearing bank borrowings and a decrease in inventory. The net cash outflow from investing activities was HK\$18,584,000, which mainly represented an increase in pledged bank deposits and the expenditures for the acquisition of machinery and equipment.

As at 30 June 2014, the Group's interest-bearing borrowings amounted to HK\$251,239,000 (31 December 2013: HK\$199,751,000), 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\$186,239,000. The Group's borrowings mainly consisted of: (1) balances of short-term loans provided by the bank of HK\$108,860,000, which were secured by bank balances of RMB13,413,000; (2) balances of short-term unsecured intra-group borrowings of HK\$54,600,000; and (3) balances of long-term unsecured intra-group borrowings of HK\$87,779,000. The above interest-bearing borrowings were charged at floating interest rates.

As at 30 June 2014, the Group's gearing ratio of the interest-bearing borrowings to shareholders' equity plus interest-bearing borrowings was 41.8% (31 December 2013: 36.2%). During the period, the annual interest rate of the borrowings was approximately 2.3% to 3.8%. Of the Group's total borrowings, all were repayable within one year except for the loans from the immediate holding company amounting to HK\$87,779,000. The Group's interest expenses during the period amounted to HK\$2,716,000, representing a decrease of 12.7% from the same period of last year.

As at 30 June 2014, the total banking facilities of the Group was HK\$503,920,000 (31 December 2013: HK\$433,877,000), of which banking facilities of HK\$108,860,000 (31 December 2013: HK\$57,372,000) were utilised and banking facilities of HK\$395,060,000 (31 December 2013: HK\$376,505,000) 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 2014, the net value of non-current assets including prepaid land lease payments and, property, plant and equipment amounted to HK\$121,034,000, representing a decrease of HK\$400,000 over the net value as at 31 December 2013 of HK\$121,434,000. The capital expenditure for the period amounted to HK\$6,219,000 (six months ended 30 June 2013: HK\$3,539,000), 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 2014, certain of the Group's bank balances with a total of HK\$16,898,000 (31 December 2013: HK\$4,618,000) were pledged to secure general banking facilities granted to the Group.

Business and Financial Review (Continued)

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 dollars 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 2014, a total of 629 employees (31 December 2013: 654) 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 share option scheme in November 2008, with the purpose to provide incentives to the senior management for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Prospects

In the second half of 2014, the footwear leather goods market is expected to remain stagnant with a continually declining overall demand. Coupled with more stringent requirements imposed by the State on different segments of the processing chain along the tannery industry, as well as increasingly strict environmental requirements imposed by the local governments, more new challenges are imminent for the tannery enterprises. The Group will continue to uphold its corporate culture of "pursuing honesty and strictness" in the implementation of the principles of "pragmatism, steady advancement and keeping a watchful eye on business opportunities" and strive to enhance its development strengths and proactively explore further development. The main tasks of the Group from now on are: establishing various systems, building hardware support, creating a team with solid foundations, attending to the details, and ensuring safe production. In the meantime, the Group will continue to strengthen its product research and development, strengthen its internal control and budget management, strengthen its product quality management, stabilise its customers, strengthen its core competitiveness, and achieve the predetermined operating targets, with a view to establish a solid foundation for the future development of the Group.

Report on Review of Interim Financial Information



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 statement of financial position as at 30 June 2014 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 August 2014

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
REVENUE	3	320,072	321,787
Cost of sales		(300,814)	(300,691)
Gross profit		19,258	21,096
Other income and gains	3	2,643	3,639
Selling and distribution expenses		(1,474)	(1,086)
Administrative expenses		(14,097)	(12,593)
Finance costs	4	(2,716)	(3,112)
PROFIT BEFORE TAX	4	3,614	7,944
Income tax expense	5	(1,535)	(4,564)
PROFIT FOR THE PERIOD		2,079	3,380
EARNINGS PER SHARE	6		
— Basic		HK0.39 cent	HK0.63 cent
— Diluted		HK0.39 cent	HK0.63 cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	2,079	3,380
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss not to be reclassified to the statement of profit or loss in subsequent periods:		
Deficit on revaluation of buildings	(165)	(367)
Income tax effect	41	92
	(124)	(275)
Other comprehensive income/(loss) to be reclassified to the statement of profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(4,702)	8,559
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(4,826)	8,284
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(2,747)	11,664

Condensed Consolidated Statement of Financial Position

30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		106,953	107,057
Prepaid land lease payments		14,081	14,377
Total non-current assets		121,034	121,434
CURRENT ASSETS			
Inventories		264,876	276,049
Receivables, prepayments and deposits	8	231,343	178,654
Pledged bank balances		16,898	4,618
Cash and bank balances		53,360	56,569
Total current assets		566,477	515,890
CURRENT LIABILITIES			
Trade payables	9	52,212	49,686
Other payables and accruals		27,138	26,811
Interest-bearing bank borrowings	10	108,860	57,372
Due to a PRC joint venture partner	16(c)(ii)	1,131	1,131
Loans from the immediate holding company	10,11	54,600	142,379
Provision		4,018	4,056
Tax payable		1,073	1,773
Total current liabilities		249,032	283,208
NET CURRENT ASSETS		317,445	232,682
TOTAL ASSETS LESS CURRENT LIABILITIES		438,479	354,116
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,272	1,304
Loans from the immediate holding company	10,11	87,779	—
Total non-current liabilities		89,051	1,304
Net assets		349,428	352,812
EQUITY			
Issued capital	12	75,032	53,802
Reserves	13	274,396	299,010
Total equity		349,428	352,812

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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 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/ (loss) 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
At 1 January 2014 (Audited)	53,802	20,785	5,545	167,746	19,233	1,154	445	110,423	5,620	3,396	(35,337)	352,812
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,079	2,079
Other comprehensive loss for the period:												
Deficit on revaluation of buildings, net of tax	-	-	-	-	-	-	-	-	(124)	-	-	(124)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,702)	-	-	-	(4,702)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(4,702)	(124)	-	2,079	(2,747)
Transfer to issued capital on 3 March 2014 (note 12)	21,230	(20,785)	-	-	-	-	(445)	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	-	(637)	-	-	-	-	-	(637)
Transfer to accumulated losses in accordance with the Undertaking (note 13(b))	-	-	-	-	-	-	-	-	-	(338)	338	-
At 30 June 2014 (Unaudited)	75,032	-*	5,545*	167,746*	19,233*	517*	-*	105,721*	5,496*	3,058*	(32,920)*	349,428

* These reserve accounts comprise the consolidated reserves of HK\$274,396,000 (30 June 2013: HK\$287,594,000) in the condensed consolidated statement of financial position as at 30 June 2014.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from operations	20,795	20,415
Interest paid	(2,716)	(3,112)
PRC tax paid	(2,217)	(4,313)
Net cash flows from operating activities	15,862	12,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(6,219)	(3,539)
Decrease/(increase) in pledged bank balances	(12,365)	1,262
Proceeds from disposal of items of property, plant and equipment	—	725
Net cash flows used in investing activities	(18,584)	(1,552)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(2,722)	11,438
Cash and cash equivalents at beginning of period	56,569	44,513
Effect of foreign exchange rate changes, net	(487)	878
CASH AND CASH EQUIVALENTS AT END OF PERIOD	53,360	56,829
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	53,360	56,829

Notes to Interim Condensed Consolidated Financial Information

30 June 2014

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 2013.

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

The adoption of these new and revised HKFRSs has had no material financial effect on the unaudited interim condensed consolidated financial information.

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\$35,858,000 (six months ended 30 June 2013: HK\$63,520,000) was derived from sales to a single customer, which contributed approximately 11% (six months ended 30 June 2013: 20%) of the total revenue.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

3. Revenue, Other Income and Gains

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 is as follows:

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue		
Processing and sale of leather	320,072	321,787
Other income and gains		
Interest income	72	70
Foreign exchange gains, net	—	2,660
Sale of scrap materials	1,838	539
Government subsidies	625	—
Gain on disposal of items of property, plant and equipment	—	314
Others	108	56
	2,643	3,639

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

4. Profit Before Tax

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

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cost of inventories sold	303,036	298,565
Depreciation	5,190	4,986
Interest on:		
Bank loans	710	1,076
Loans from the immediate holding company	2,006	2,036
	2,716	3,112
Provision/(reversal of provision) for inventories	(2,222)	2,126
Write-back of impairment for trade and bills receivables	(632)	(96)

5. Income Tax

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 months ended 30 June 2013: 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.

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Group:		
Current — Mainland China		
Charge for the period	1,535	4,564

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

6. Earnings Per Share

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

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2014 as no dilutive events existed for the exercise of share options.

The calculation of diluted earnings per share amounts for the period ended 30 June 2013 was based on the profit for the period. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that 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.

The calculations of basic earnings per share and diluted earnings per share are based on:

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Earnings		
Profit for the period, used in the basic and diluted earnings per share calculations	2,079	3,380
	Number of shares For the six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	538,019,000	538,019,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	—	71,460
Weighted average number of ordinary shares used in the diluted earnings per share calculation	538,019,000	538,090,460

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

7. Dividend

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

8. Receivables, Prepayments and Deposits

As at 30 June 2014, included in the Group's receivables, prepayments and deposits are trade and bills receivables with a net balance of HK\$225,157,000 (31 December 2013: HK\$174,486,000).

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. The Group does not hold any collateral or other credit enhancement over its trade receivables. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade and bills receivables as at the end of reporting period, based on the settlement due date, is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current	225,157	174,486
Less than 3 months	—	745
3 to 6 months	108	—
Over 6 months	73	73
	225,338	175,304
Impairment	(181)	(818)
	225,157	174,486

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

9. Trade Payables

An aged analysis of the Group's trade payables as at the end of reporting period, based on the date of receipt of goods, is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within 3 months	36,322	31,418
3 to 6 months	11,524	14,879
Over 6 months	4,366	3,389
	52,212	49,686

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 2014 (Unaudited)			31 December 2013 (Audited)		
	Effective interest rate (%)	Maturity	Amount HK\$'000	Effective interest rate (%)	Maturity	Amount HK\$'000
Current						
Trust receipt loans, secured	2.90-3.79	2014	108,860	2.34-3.35	2014	57,372
Loans from the immediate holding company (note 11)	2.73	2014	54,600	2.75-2.89	2014	142,379
			163,460			199,751
Non-Current						
Loans from the immediate holding company (note 11)	2.73-2.87	2015	87,779	-	-	-
			87,779			-

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

10. Interest-Bearing Bank and Other Borrowings (Continued)

Note:

The Group's trust receipt loan facilities which are denominated in United States dollars and amounted to HK\$503,920,000 (31 December 2013: HK\$433,877,000) are secured by the pledge of certain of the Group's bank balances and supported by corporate guarantees executed by the Company (31 December 2013: pledge of certain of the Group's bank balances and supported by corporate guarantees executed by the Company). The balance of HK\$108,860,000 had been utilised at 30 June 2014 (31 December 2013: HK\$57,372,000).

Details of the pledge of assets are included in note 17 to the interim condensed consolidated financial information.

11. Loans from the Immediate Holding Company

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

Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current		
(a)	—	22,779
(b)	—	65,000
(c)	54,600	54,600
	54,600	142,379
Non-current		
(a)	22,779	—
(b)	65,000	—
	87,779	—
	142,379	142,379

Notes:

- (a) The balance represents an unsecured loan of US\$2,920,000 (31 December 2013: US\$2,920,000), which bears interest at 3-month LIBOR + 2.5% (31 December 2013: 3-month LIBOR + 2.5%) per annum and is repayable on 31 July 2015 (31 December 2013: repayable on 31 July 2014).
- (b) The balance represents an unsecured loan of HK\$65,000,000 (31 December 2013: HK\$65,000,000), which bears interest at 3-month HIBOR + 2.5% (31 December 2013: 3-month HIBOR + 2.5%) per annum and is repayable on 9 August 2015 (31 December 2013: repayable on 9 August 2014).
- (c) The balance represents an unsecured loan of US\$7,000,000 (31 December 2013: US\$7,000,000), which bears interest at 3-month LIBOR + 2.5% (31 December 2013: 3-month LIBOR + 2.5%) per annum and is repayable on 30 December 2014 (31 December 2013: repayable on 30 December 2014).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

12. Share Capital

As at 31 December 2013, 700,000,000 ordinary shares with HK\$0.10 each were authorised for issue. Under the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) which commenced operation on 3 March 2014, the concepts of “authorised share capital” and “par value” no longer exist.

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Issued and fully paid: 538,019,000 (31 December 2013: 538,019,000) ordinary shares of HK\$0.10 each	75,032	53,802

A summary of the transactions during the period in the Company's issued share capital as follows:

	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000
At 1 January 2014 (Audited)	53,802	20,785	445
Transfer to issued capital (<i>note</i>)	21,230	(20,785)	(445)
At 30 June 2014 (Unaudited)	75,032	—	—

Note: Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) which became effective on 3 March 2014, the balances of the share premium account of HK\$20,785,000 and capital redemption reserve of HK\$445,000 as at 3 March 2014 have been transferred to issued capital.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

12. Share Capital (Continued)

Share Option Scheme

On 24 November 2008, the Company adopted a 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 the members 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 2014, there were 3,951,000 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 3,951,000 additional ordinary shares of the Company and additional share capital of HK\$1,719,000 (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 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.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

13. Reserves (Continued)

- (b) On 1 February 2011, a special resolution was passed by the shareholders of the Company for approving the reduction in share premium of the Company (the “Share Premium Reduction”). The purpose of the Share Premium Reduction is to reduce the credit standing to the share premium account of the Company to the extent of HK\$393,345,845 and to apply the credit arising from such reduction to eliminate the accumulated losses of the Company by the same amount.

On 22 March 2011, the Court made an order (the “Order”) confirming the Share Premium Reduction. An office copy of the Order was registered with the Registrar of the Companies on 29 March 2011 (the “Effective Date”) in accordance with Section 61 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). Accordingly, the Share Premium Reduction became effective immediately following the registration of the Order of the Court and the accumulated losses of the Company of HK\$393,345,845 were eliminated against the Company’s share premium account.

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 values in the Company’s accounts as at 30 June 2010, all such recoveries beyond that written down values 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 ss291, 297 and 299 of the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) 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 ss290 and 298 of the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong), 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;

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

13. Reserves (Continued)

(b) (Continued)

- (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 provisions (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.

During the six months ended 30 June 2014, an additional provision for impairment of HK\$338,000 was made for the Assets. This resulted in a transfer of HK\$338,000 from Special Capital Reserve to the accumulated losses of the Group.

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 the accumulated losses to the Special Capital Reserve of the Group.

As a result of the foregoing, the Limit as at 30 June 2014 was HK\$150,273,970 (31 December 2013: HK\$150,273,970) and the amount standing to the credit of the Group's Special Capital Reserve as at 30 June 2014 was HK\$3,058,000 (31 December 2013: HK\$3,396,000).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

14. Financial Instruments

The carrying amounts of each of the categories of financial instruments as at 30 June 2014 are as follows:

Financial assets

	30 June 2014	31 December 2013
	Loans and receivables	Loans and receivables
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade and bills receivables	225,157	174,486
Financial assets included in deposits and other receivables	1,680	1,709
Pledged bank balances	16,898	4,618
Cash and bank balances	53,360	56,569

Financial liabilities

	30 June 2014	31 December 2013
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	52,212	49,686
Financial liabilities included in other payables and accruals	20,886	21,110
Interest-bearing bank borrowings	108,860	57,372
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.

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

15. Commitments

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Contracted, but not provided for:		
Land and buildings	1,404	1,418
Leasehold improvements	1,023	38
Plant and machinery	4,062	4,732
	6,489	6,188

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:

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Office rental paid to a fellow subsidiary	231	173
Interest expense to the immediate holding company	2,006	2,036

(b) Commitments with related parties

On 29 November 2013, the Company entered into a three-year office rental agreement commencing 6 February 2014 and ending 5 February 2017 with Global Head Developments Limited, a fellow subsidiary of the Company. The total operating lease commitments due within one year and in the second to fifth years as at 30 June 2014 were approximately HK\$552,000 and HK\$570,000, respectively (31 December 2013: HK\$443,000 and HK\$1,031,000, respectively).

Notes to Interim Condensed Consolidated Financial Information (Continued)

30 June 2014

16. Related Party Transactions (Continued)

(c) Outstanding balances with related parties

- (i) Details of the loans from the immediate holding company as at the end of the reporting period 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

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short term employee benefits	1,165	1,131
Post-employment benefits	144	148
Recognition/(forfeiture) of equity-settled share options	(147)	56
Total compensation paid to key management personnel	1,162	1,335

17. Pledge of Assets

As at 30 June 2014, assets of the Group pledged to banks to secure general banking facilities granted to the Group were as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Bank balances	16,898	4,618

18. Approval of the Interim Financial Information

These unaudited interim condensed consolidated financial information were approved and authorised for issue by the Board on 26 August 2014.

Directors' Interests and Short Positions in Securities

As at 30 June 2014, 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 (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "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	0.007%
Liu Bing	Personal	10,000	Long position	0.002%
Ho Lam Lai Ping, Theresa	Personal	200,000	Long position	0.037%
Fung Lak	Personal	1,380,000	Long position	0.256%
Choi Kam Fai, Thomas	Personal	60,000	Long position	0.011%

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 2014.

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 2014	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 2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period					
Chen Hong	14.07.2010	5,110,000	1,533,000	-	-	-	1,533,000	-	0.435	0.435	-
Sun Jun	14.07.2010	1,260,000	378,000	-	-	-	378,000	-	0.435	0.435	-
Qiao Jiankang	14.07.2010	1,780,000	534,000	-	-	-	534,000	-	0.435	0.435	-

Notes to the above share options granted pursuant to the share option scheme adopted by the Company on 24 November 2008 ("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 share option scheme adopted by the Company on 24 November 2008 ("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	1,407,000	Long position	0.023%

Note: The approximate percentage of interests held was calculated on the basis of 6,240,282,571 ordinary shares of GDI in issue as at 30 June 2014.

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					Cancelled/ lapsed during the period	At 30 June 2014	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 2014	Granted during the period	Exercised during the period							
Ho Lam Lai Ping, Theresa	24.10.2008	2,400,000	993,000	-	-	(993,000)	-	-	1.88	1.73	-	
	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 Guangdong Land Holdings Limited ("GD Land")

Interests in ordinary shares

Name of Director	Capacity/ nature of interests	Number of ordinary shares held	Long/short position	Approximate percentage of interests held
Ho Lam Lai Ping, Theresa	Personal	398,000	Long position	0.023%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of GD Land in issue as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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 are 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 are 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 2014, 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 <i>(Note 1)</i>
廣東粵海控股有限公司 (Guangdong Holdings Limited) <i>(Note 2)</i>	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 2014.
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 2014, 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 2014, save as disclosed in the section of “Directors’ Interests and Short Positions in Securities” of this report, certain eligible persons of the Company (other than the 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 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 2013 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** HK\$ (per share)	Price of ordinary shares immediately before the exercise date** HK\$ (per share)	
		At date of grant	At 1 January 2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period					At 30 June 2014
Senior Management	14.07.2010	2,980,000	894,000	–	–	–	894,000	–	0.435	0.435	–
Other participant	14.07.2010	2,040,000	612,000	–	–	–	612,000	–	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 share option scheme adopted by the Company on 24 November 2008 (“2008 Scheme”)” in the section headed “Directors’ Interests and Short Positions in Securities” of this report on pages 28 and 29.

Corporate Governance and Other Information

Corporate Governance Code

The Company has complied with the applicable code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014.

Directors' Securities Transactions

The Company has adopted the Model Code as 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 2014.

Changes in Directors' Information

The changes in information of the directors of the Company are set out below:

Commencing from 1 January 2014, the salaries, allowances and benefits in kind of Mr. Chen Hong and Mr. Sun Jun amount to approximately HK\$718,000 per annum and RMB376,000 per annum, respectively.

Mr. Chan Cheong Tat was appointed an independent non-executive director of Wasion Group Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange, on 16 May 2014.

Save for the above changes in the directors' information during the period from 1 January 2014 to the date of this report as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review of Interim Results

The Audit Committee of the Company has reviewed the unaudited interim financial information of the Group and the Company's interim report for the six months ended 30 June 2014. 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 securities listed on the Hong Kong Stock Exchange during the six months ended 30 June 2014.

By order of the Board
Chen Hong
Chairman

Hong Kong, 26 August 2014



GDH

粤海制革有限公司
GUANGDONG TANNERY LIMITED