Annual Report 2014 年報

粵海制革有限公司
GUANGDONG TANNERY LIMITED

(股份代號 Stock Code: 1058)

Contents

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

29th Floor, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

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Website	:	http://www.gdtann.com.hk

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

Chairman's Statement

RESULTS

I would like to present to the shareholders that the consolidated profit attributable to shareholders of Guangdong Tannery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for 2014 was HK$1,998,000 (2013: HK$5,731,000), representing a decrease of 65.1% compared with last year. Basic earnings per share was HK$0.37 cent (2013: HK$1.07 cents), representing a decrease of 65.4% compared with last year.

DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

REVIEW

In 2014, the domestic footwear leather market was under pressure given the lack of liquidity encountered by footwear manufacturers, while the export of footwear leather market was greatly disrupted by the foreign currency risk exposure arising from the political crisis in Northern Europe, hence leading to shrinking market demand which further intensified the competition in the industry. During the year, the Group pushed forward its strategic management and took positive steps to respond to the ever-changing market environment, with views to achieving stable production, exploring opportunities for market expansion and getting over market difficulties, and as a result of which, higher production and sales volumes have been realised. However, the Group's operating results reversely deteriorated in the face of rising cost of raw materials. In the wake of more stringent environmental requirements introduced by the government in recent years, the Group actively promoted clean production and strived for technological advancement and innovation. Drawing on the advantages of a higher level of clean production, the Group positioned itself as an enterprise with high corporate value in tannery industry. During the year, the Group submitted its application for being certified as a "New High-tech Enterprise" and was recognised as such in October upon the formal approval by the Science and Technology Department of Jiangsu Province. The attainment marked a new stage of the Group's brand building. Apart from maintaining product quality, the enhanced level of clean production also served as a safeguard for expansion of production capacity and laid solid foundation for sustainability of the Group in the future.

Facing the unfavourable factors of depressed footwear leather goods market and the rising cost of raw materials and labour, the Group embraced its business plan set up at the beginning of the year, with an objective to prepare a proposal on overall budgetary management in a scientific way. On the sales front, during the year, the initiatives taken by the Group included enhancing distribution channels, optimising customer mix, expanding the scale of direct sales business, building a stronger product style through research and development, and conducting research and development works by way of matching the sources of leathers and the product characteristics for eliminating aged inventory. On the purchasing front, the Group strengthened its control over cost of raw materials, further rationalised the production processes and stepped up its efforts in technological upgrade to realise a higher leather yield, as well as, duly determined the planned production volume to minimise production costs. Furthermore, alongside with the kick-off of the overall budgetary management, the Group closely monitored the implementation towards its targets, promoted cost control at every stage of production, diversely put its concept of budgetary management into practice, carried out dynamic analysis on budgetary management and on the basis of which, made scientific adjustments, so as to accomplish an effective management of its exposure to operational risks. These moves strengthened the competitive edges of the Group in the market.

Chairman's Statement (Continued)

PROSPECTS

Looking forward, the outlook of leather and leather footwear markets across China for 2015 remains sluggish. As the slaughtering volume in cowhide exporting countries dropped, primarily in the United States, by reason of the sustained downward trend in breeding stock of live cattle, high raw material costs are expected to persist. The Group foresees that the leather industry will still be trapped in the vicious cycle, thus further difficult challenges will be confronted by the Group. In the future, the Group will continue to take its established prudent operating strategies towards exploring new modes of operation to eliminate the negative impacts brought about by the market weaknesses. At the same time, greater efforts will be expended in technological upgrade for the realisation of clean production; developing high-end products responsive to market requirements, focusing on the development of key technologies and further extending the industrial chain of the Group's tannery business, for the enhancement of product competitiveness; enhancing distribution channels and optimising its dual operation modes consisting both direct sales and distribution businesses for the transformation into a customer-oriented dual business model that creates shared benefits; fortifying its internal control system, enhancing safety production, high quality workforce and high level of operating efficiency, in the hope of gearing up its profitability in a progressive manner.

Chen Hong
Chairman

Hong Kong, 26 March 2015

Management Discussion and Analysis

RESULTS

The Group's consolidated profit attributable to shareholders for the year ended 31 December 2014 was HK$1,998,000, representing a decrease of HK$3,733,000 or 65.1% as compared to HK$5,731,000 for last year.

The net asset value of the Group as at 31 December 2014 was HK$352,553,000, representing a decrease of HK$259,000 and an increase of HK$3,125,000 as compared to those as at 31 December 2013 and 30 June 2014, respectively.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

BUSINESS REVIEW

During the year of 2014, the footwear leather goods market remained sluggish in general, with the competition in the industry further intensified by diminishing demand. Hampered by the rising cost of raw materials and the depreciation of Renminbi, the Group's operating results declined despite its orders have reached saturation. During the year, the Group upheld its prudent operating strategies by advancing towards an overall budgetary management and taking active steps to respond to market changes. On one hand, the Group reinforced its marketing and sales system for stable production and sales. On the other hand, the Group stepped up its efforts in research and development to raise leather yield and minimise production costs. These initiatives enabled the Group to mitigate its operating risk exposure in an effective manner amidst a poor economic environment. Moreover, for its pursuit of technological advancement and innovation, the Group was recognised as a "New High-tech Enterprise" during the year, marking a new stage of its brand building.

During the year, the production volume of cowhides was 28,761,000 sq. ft., representing an increase of 3,584,000 sq. ft. or 14.2% as compared to 25,177,000 sq. ft. for last year. The production volume of grey hides was 9,486 tons, representing a decrease of 2,301 tons or 19.5% as compared to 11,787 tons for last year. During the year, the total sales volume of cowhides was 29,907,000 sq. ft., representing an increase of 6,364,000 sq. ft. or 27.0% as compared to 23,543,000 sq. ft. for last year. The sales volume of grey hides was 9,486 tons, representing a decrease of 2,301 tons or 19.5% as compared to 11,787 tons for last year.

The consolidated turnover of the Group for 2014 was HK$767,185,000, representing an increase of HK$172,541,000 or 29.0% from HK$594,644,000 for last year, of which the sales value of cowhides amounted to HK$666,633,000 (2013: HK$498,722,000), representing an increase of 33.7%, and that of grey hides and other products amounted to HK$100,552,000 (2013: HK$95,922,000), representing an increase of 4.8%. The increase in turnover was mainly due to the market recognition of its new products, coupled with the expansion of direct sales business, which resulted in a significant increase in orders compared to last year, allowing the Group to secure a stable production and maintain a better sales performance in the sector.

In terms of sales, owing to the general weaknesses in leather footwear markets as influenced by the slowdown in exports at the beginning of the year, along with the impacts of the turbulent situation and currency depreciation in Northern Europe, a vast number of footwear manufacturers suffered from severe losses and the demand on leathers plunged. In order to overcome the adversities, the Group adhered to its market-oriented approach. On one hand, the Group continued to reinforce its marketing and sales system by procuring key distributors to build up stockpiling during low seasons and optimising the matching for the products of key footwear manufacturers. On the other hand, the Group was motivated to boost cooperation with major direct-selling branded footwear manufacturers. Contributed by the support of the style and trend of product development driven by direct sourcing, the Group developed new products that are well accepted by the market, leading to the record sales for the year.

BUSINESS REVIEW (CONTINUED)

In terms of purchasing, consistent with its prudent and practical operating strategies, the Group adhered to its balanced procurement approach of "matching production with demand and linking purchase with production". Specifically, in the course of purchasing, the Group monitored dynamic indicators such as changes of market demand and supply, followed by carrying out analysis with focus on seasonal changes in cowhide markets, through which decisions on procurement activities were made in a timely manner and an orderly flow of supply of cowhides was ensured. Meanwhile, the Group strived to explore innovative patterns of supply of raw materials and established a new procurement pattern for blue leathers in light of market needs and product style. Benefited from this pattern, the Group expanded its production volume and mitigated its risk exposure arising from the substantial increase in inventories for meeting the demand in peak seasons. In addition, the Group strictly implemented its supplier evaluation system and product review system to maintain products of high quality. During the year, total purchases amounted to HK$736,141,000, representing an increase of 25.6% from last year, which was mainly attributable to the increase in sales orders and the rising cost of raw materials during the year.

As at 31 December 2014, the Group's consolidated inventory amounted to HK$303,235,000 (31 December 2013: HK$276,049,000), representing an increase of HK$27,186,000 or 9.8% over that of 31 December 2013. Such increase was primarily attributable to the slight increase in inventory of hides in support of its purchase strategy, as well as the rise in costs of raw materials. During the year, the Group put great efforts in developing products that accommodate customers' needs, in tandem with strengthening its cost control to improve inventory costing. Through new product development, the Group effectively lowered the level of aged inventory and enhanced liquidity.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's cash and cash equivalents amounted to HK$20,421,000 (31 December 2013: HK$56,569,000), representing a decrease of HK$36,148,000 or 63.9% as compared to the same as at 31 December 2013, which were denominated in Hong Kong dollars (9.7%), Renminbi (86.4%) and United States dollars (3.9%), respectively. During the year, net cash inflow from operating activities was HK$3,607,000, which was mainly attributable to the decrease in cash inflow as a result of the increase in bills receivables. The net cash outflow from investing activities was HK$39,436,000, which mainly represented the increase in pledged bank deposits.

As at 31 December 2014, the Group's interest-bearing borrowings amounted to HK$278,217,000 (31 December 2013: HK$199,751,000), of which interest-bearing borrowings of HK$65,000,000 were denominated in Hong Kong dollars and interest-bearing borrowings of HK$213,217,000 were denominated in United States dollars. The Group's borrowings mainly consisted of: (1) balances of short-term loans of HK$135,838,000 provided by banks, which were secured by bank deposits of RMB29,412,000; 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 31 December 2014, the Group's gearing ratio of the interest-bearing borrowings to shareholders' equity plus interest-bearing borrowings was 44.1% (31 December 2013: 36.2%). During the year, the annual interest rate of the borrowings ranged from approximately 2.7% to 3.8%. The Group's borrowings were all repayable within one year. The Group's interest expenses for the year amounted to HK$6,676,000, representing an increase of 10.6% as compared to last year.

FINANCIAL REVIEW (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 31 December 2014, the total banking facilities of the Group were HK$486,345,000 (31 December 2013: HK$433,877,000), of which HK$135,838,000 (31 December 2013: HK$57,372,000) were utilised and HK$350,507,000 (31 December 2013: HK$376,505,000) were unutilised. Taking into account of the existing cash resources and available credit facilities, the Group has adequate financial resources to meet its day-to-day operational requirements.

CAPITAL EXPENDITURE

As at 31 December 2014, the carrying value of non-current assets including prepaid land lease payments and property, plant and equipment amounted to HK$117,999,000, representing a decrease of HK$3,435,000 as compared to the carrying value as at 31 December 2013 of HK$121,434,000. The total capital expenditure for the year amounted to HK$10,366,000 (2013: HK$6,880,000), which mainly represented the payment for the acquisition of machinery and equipment to meet the Group's production requirements.

PLEDGE OF ASSETS

As at 31 December 2014, the Group's total bank deposits of HK$37,283,000 (31 December 2013: HK$4,618,000) were pledged to banks to secure the general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

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 currencies other than the functional currency of the operations to which they relate. The main currencies giving rise to this risk are the United States Dollar against Renminbi. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the year. 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 31 December 2014, a total of 673 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 insurances and pension schemes 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 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.

(A) EXECUTIVE DIRECTORS

Mr. Chen Hong (Age: 59)

Mr. Chen Hong was appointed an Executive Director and the Chairman of the Company in October 2009. He is an economist in the People's Republic of China ("the PRC"). He worked with the Company and its subsidiaries from 2003 to 2005 and was appointed the Managing Director of the Company during the period from February 2004 to June 2005. He was then appointed the chairman of 粵海(湛江)中纖板有限公司 (GD Zhang Jiang MDF Board Co., Ltd.) from June 2005 to September 2007. 粵海(湛江)中纖板有限公司 (GD Zhang Jiang MDF Board Co., Ltd.) was the then subsidiary of GDH Limited ("GDH"), the immediate controlling shareholder of the Company. Mr. Chen was also appointed a director and executive officer of certain subsidiaries of 廣東粵海控股集團有限公司 (formerly known as 廣東粵海控股有限公司) (Guangdong Holdings Limited) ("Guangdong Holdings"), the ultimate controlling shareholder of the Company, from September 2007 to October 2009, including, inter alia, a director and the general manager of both GDH Real Estates (China) Ltd. (粵海房地產開發(中國)有限公司) and 廣東粵港投資開發有限公司 (Guangdong Yue Gang Investment Development Limited*). Mr. Chen was appointed as the chief operating officer of Guangdong Holdings and GDH respectively in October 2012. He is the chairman of Supertime Development Limited, a wholly-owned subsidiary of GDH. Mr. Chen currently acts as the chairman of wholly-owned subsidiaries of the Company namely 徐州南海皮廠有限公司 (Xuzhou Nanhai Leather Factory Co., Ltd.), 徐州港威皮革有限公司 (Xuzhou Gangwei Leather Co., Ltd.) and 粵海制革(徐州)有限公司 (Guangdong Tannery (Xuzhou) Limited).

Mr. Sun Jun (Age: 41)

Mr. Sun Jun was appointed an Executive Director and the Managing Director of the Company in February 2010. He is an economist in the PRC. He graduated from 西安公路學院 (Xian Highway College*) (now known as 長安大學 (Chang'an University)) and obtained a bachelor degree in 工程機械與起重運輸 (Mechanical Engineering and Lifting Transportation Program*). Mr. Sun worked with certain companies of GDH from November 2002 to August 2003. He then worked with the Company and its subsidiaries in September 2003 and was appointed certain posts, including, inter alia, acting as assistant general manager and deputy general manager of the Company from March 2004 to December 2005 and from July 2007 to February 2010 respectively. Mr. Sun currently acts as certain posts of wholly-owned subsidiaries of the Company, including a director and the general manager of 徐州南海皮廠有限公司 (Xuzhou Nanhai Leather Factory Co., Ltd.), 徐州港威皮革有限公司 (Xuzhou Gangwei Leather Co., Ltd.) and 粵海制革(徐州)有限公司 (Guangdong Tannery (Xuzhou) Limited); and an executive deputy project director of relocation project of 徐州南海皮廠有限公司 (Xuzhou Nanhai Leather Factory Co., Ltd.).

* *The English translation of the Chinese name of the company/the college/the program is prepared by the Company for reference only, and such translation may not be accurate and such company/college/program may not have an official English translation/version of these Chinese names.*

(B) NON-EXECUTIVE DIRECTORS

Mr. Liu Bing (Age: 41)

Mr. Liu Bing was appointed a Non-Executive Director of the Company in April 2014. He graduated from Sun Yat–sen University, the PRC and holds a Master degree in World Economy and a Bachelor degree in Economics. From 1998 to 2001, Mr. Liu worked for Guangdong Enterprises (Holdings) Limited, and then took the position as assistant general manager of Guangnan (Holdings) Limited ("Guangnan Holdings"). Guangnan Holdings is a subsidiary of GDH and is listed on The Stock Exchange of Hong Kong Limited. From 2001 to 2010, Mr. Liu acted as the vice president of China Venture Capital Limited and Springridge Investment Management Limited. He then took the position as general manager of Guangzhou Vestin Investment Consulting Limited from 2010 to 2012. In 2012, Mr. Liu joined Guangdong Holdings and GDH and was appointed as general manager of Strategic Development Department of both companies. He also acts as a director of certain subsidiaries of Guangdong Holdings. Mr. Liu is also a director of the Board of Trustees of Lingnan (University) College, Sun Yat-sen University. He has more than ten years' experience in China domestic and foreign investment/financing, assets management and corporate management.

Mrs. Ho Lam Lai Ping, Theresa (Age: 59)

Mrs. Ho Lam Lai Ping, Theresa was appointed a Non-Executive Director of the Company in July 2000. She has been the Company Secretary of Guangdong Investment Limited ("GDI") since December 1992. She currently acts as the executive deputy general manager of GDI and a director of certain subsidiaries of Guangdong Holdings. GDI, a subsidiary of GDH, is listed on The Stock Exchange of Hong Kong Limited. She graduated from Hong Kong Polytechnic and is a fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

Mr. Qiao Jiankang (Age: 50)

Mr. Qiao Jiankang was appointed a Non-Executive Director of the Company in September 2009. He graduated from China University of Political Science and Law and obtained a master degree in Economical Law. He possesses the professional qualifications as both lawyer and enterprise legal adviser in the PRC. Since 2000, Mr. Qiao has acted as a director and in other positions of certain subsidiaries of GDH. He is currently the deputy general manager of the legal departments of Guangdong Holdings and GDH respectively. He also acts as a director of 徐州南海皮廠有限公司 (Xuzhou Nanhai Leather Factory Co., Ltd.) and 粵海制革(徐州)有限公司 (Guangdong Tannery (Xuzhou) Limited), both of which are wholly-owned subsidiaries of the Company. Mr. Qiao has over 17 years' experience in enterprise legal works.

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fung Lak (Age: 67)

Mr. Fung Lak was appointed an Independent Non-Executive Director of the Company in November 2002. He holds a bachelor degree in Science (Economics) major in Accounting and Finance from the London School of Economics and Political Science of University of London. He is also a fellow member of Hong Kong Institute of Certified Public Accountants, an associate member of the Institution of Chartered Accountants in the United Kingdom, a fellow member of the Association of Chartered Certified Accountants and a member of the Taxation Institute of Hong Kong. Mr. Fung was the former president of the Society of Chinese Accountants and Auditors. Mr. Fung has over 20 years' experience in the accounting and finance and is a director of Lak & Associates C.P.A. Limited.

Mr. Choi Kam Fai, Thomas (Age: 69)

Mr. Choi Kam Fai, Thomas was appointed an Independent Non-Executive Director of the Company in October 2004. He is a Certified Management Accountant with the Society of Management Accountants of Canada. He holds a bachelor degree in Commerce and Business Administration from the University of Alberta, Canada and completed the Executive Development Program organized by J.L. Kellogg Graduate School of Management of the Northwestern University, U.S.A. Mr. Choi is the General Manager of the Internal Audit Department of Henderson Land Development Company Limited. He has worked for the audit departments of various private, public and governmental bodies in Hong Kong and Canada for over 30 years.

Mr. Chan Cheong Tat (Age: 65)

Mr. Chan Cheong Tat was appointed an Independent Non-Executive Director of the Company in March 2006. He is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants and CPA Australia. He is also an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Mr. Chan obtained his master's degree in Financial Management from Central Queensland University. He served in the Inland Revenue Department of the Hong Kong Government for 33 years and retired in early 2005. He is now a director of a tax consultancy company. Mr. Chan was appointed an independent non-executive director of Wasion Group Holdings Limited, Medicskin Holdings Limited and Man Sang International Limited in May 2014, December 2014 and January 2015 respectively, all listed on The Stock Exchange of Hong Kong Limited.

(D) SENIOR MANAGEMENT

The senior management of the Group comprises the Executive Directors above (namely Mr. Chen Hong and Mr. Sun Jun) and Ms. Lee Wai Mei, the Chief Financial Officer of the Company.

Ms. Lee Wai Mei (Age: 40)

Ms. Lee Wai Mei was appointed the Chief Financial Officer of the Company in May 2005. She has over 15 years of experience in auditing and accounting. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Report of the Directors

The directors (the "Directors") of Guangdong Tannery Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The Group is principally engaged in the processing and sale of semi-finished and finished leather. The activities of the principal subsidiaries of the Company are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 102.

No interim dividend was paid during the year and the Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2014.

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate and adjusted to reflect the change in accounting policies. The summary does not form part of the audited financial statements.

Results

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**767,185**	594,644	622,869	587,020	520,737
Profit from operating activities	**11,967**	18,689	12,014	10,592	19,061
Finance costs	**(6,676)**	(6,035)	(5,923)	(5,385)	(4,781)
Profit before tax	**5,291**	12,654	6,091	5,207	14,280
Income tax expense	**(3,293)**	(6,923)	(5,058)	(4,018)	(8,068)
Profit for the year	**1,998**	5,731	1,033	1,189	6,212

Assets and liabilities

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Property, plant and equipment and prepaid land lease payments	**117,999**	121,434	117,812	123,533	111,652
Current assets	**641,054**	515,890	494,652	522,978	468,771
Total assets	**759,053**	637,324	612,464	646,511	580,423
Liabilities					
Current liabilities	**404,909**	283,208	282,582	317,468	221,985
Non-current liabilities	**1,591**	1,304	309	633	55,317
Total liabilities	**406,500**	284,512	282,891	318,101	277,302
Net assets	**352,553**	352,812	329,573	328,410	303,121

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 12 to the financial statements.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of the interest-bearing bank and other borrowings of the Company and the Group as at 31 December 2014 are set out in notes 19 and 21 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 24 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, no reserves, calculated in accordance with the provisions of the Companies Ordinance, is available for cash distribution.

CHARITABLE CONTRIBUTIONS

The Group did not make any charitable contributions during the year (2013: Nil).

DIRECTORS

The Directors during the year and up to the date of this report were:

Chen Hong *(Chairman)*	
Sun Jun *(Managing Director)*	
Liu Bing#	*(appointed on 1 April 2014)*
Ho Lam Lai Ping, Theresa#	
Qiao Jiankang#	
Fung Lak*	
Choi Kam Fai, Thomas*	
Chan Cheong Tat*	
Xiong Guangyang#	*(resigned on 1 April 2014)*

Non-Executive Director
* *Independent Non-Executive Director*

Mr. Sun Jun and Mr. Chan Cheong Tat will retire by rotation in accordance with Articles 82 to 84 of the Company's Articles of Association at the 2015 annual general meeting of the Company. Being eligible, Mr. Sun Jun and Mr. Chan Cheong Tat will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2015 annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a material beneficial interest, whether directly or indirectly, in any significant contract to which the Company or any of its subsidiaries, its holding companies or its fellow subsidiaries was a party during the year or as at 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2014, none of the Directors was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 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 ("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 *(Note)*
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 31 December 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 date of grant	At 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31 December 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)
Chen Hong	14.07.2010	5,110,000	1,533,000	–	–	(511,000)	1,022,000	–	0.435	0.435	–
Sun Jun	14.07.2010	1,260,000	378,000	–	–	(126,000)	252,000	–	0.435	0.435	–
Qiao Jiankang	14.07.2010	1,780,000	534,000	–	–	(178,000)	356,000	–	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 or all other participants as an aggregate whole.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES (CONTINUED)

(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 *(Note)*
Ho Lam Lai Ping, Theresa	Personal	307,000	Long position	0.005%

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 31 December 2014.

(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 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 year	Exercised during the year	Cancelled/ lapsed during the year	At 31 December 2014				
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:

(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%

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):

(d) 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.

(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 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES (CONTINUED)

(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 *(Note)*
Ho Lam Lai Ping, Theresa	Personal	398,000	Long position	0.023%

Note: The approximate percentage of interests held was calculated on basis of 1,711,536,850 ordinary shares of GD Land in issue as at 31 December 2014.

Save as disclosed above, as at 31 December 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 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** *(Note 1)*
廣東粵海控股集團有限公司 (formerly known as 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 31 December 2014.

2. The attributable interest which 廣東粵海控股集團有限公司 (Guangdong Holdings Limited) has in the Company is held through its 100% direct interest in GDH Limited.

Save as disclosed above, as at 31 December 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 31 December 2014, save as disclosed in the section of "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES" of this report, certain eligible persons (other than Directors) 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 25 to the financial statements.

Category of Participants	Date of grant of share options *(dd.mm.yyyy)*	Number of share options: At date of grant	At 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31 December 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)*
Senior Management	14.07.2010	2,980,000	894,000	–	–	(298,000)	596,000	–	0.435	0.435	–
Other participant	14.07.2010	2,040,000	612,000	–	–	(204,000)	408,000	–	0.435	0.435	–
Ex-Director	14.07.2010	4,320,000	1,296,000	–	–	(1,296,000)	–	–	0.435	0.435	–

Note: Additional information regarding the above share options granted under the 2008 Scheme is set out in the notes under "Interests in share options relating to ordinary shares (long positions)" in the section headed "INTERESTS AND SHORT POSITIONS IN THE COMPANY" of this report on pages 16 and 17.

SIGNIFICANT CONTRACTS WITH CONTROLLING SHAREHOLDER OR ITS SUBSIDIARIES

Save as disclosed in notes 21 and 31 to the financial statements, the Company and the controlling shareholders of the Company or its subsidiaries had not entered into any other contracts of significance during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES" and "SHARE OPTIONS OF THE COMPANY" of this report, and in note 25 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, its holding companies or its fellow subsidiaries a party to any arrangements to enable the Directors 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.

CONNECTED TRANSACTIONS

Details of the connected transactions are disclosed in note 31 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the amount of purchases attributable to the Group's largest supplier represented 18% of the Group's total purchases; and the aggregate amount of purchases (excluding the purchases of items of a capital nature) attributable to the Group's five largest suppliers represented 52% of the Group's total purchases. In addition, the amount of turnover attributable to the Group's largest customer represented 16% of the Group's total turnover; and the aggregate amount of the turnover attributable to the Group's five largest customers represented 35% of the Group's total turnover. None of the Directors or their associates, or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors.

AUDITORS

A resolution will be proposed at the 2015 annual general meeting for the reappointment of Messrs. Ernst & Young as the auditors of the Company.

By order of the Board
Chen Hong
Chairman

Hong Kong, 26 March 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group recognizes the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its business and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the directors of the Company ("the Directors"), the Company complied with the applicable code provisions in the CG Code throughout the year ended 31 December 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 confirmed, upon specific enquiry by the Company, that they had complied with the required standard as set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board of Directors (the "Board") currently comprises two Executive Directors, being Mr. Chen Hong and Mr. Sun Jun, three Non-Executive Directors, being Mr. Liu Bing, Mrs. Ho Lam Lai Ping, Theresa, and Mr. Qiao Jiankang and three Independent Non-Executive Directors, being Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.

During the year under review, Mr. Xiong Guangyang tendered his resignation as a Non-Executive Director and Mr. Liu Bing was appointed as a Non-Executive Director, both with effect from 1 April 2014.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the day-to-day management of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements and rules and regulations.

The Board members do not have any financial, business, family or other material/relevant relationships with each other. Such balanced Board composition ensures that strong independence exists across the Board. The biographies of the Directors are set out in pages 8 to 10 of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's annual, interim and quarterly results. During the financial year ended 31 December 2014, six Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "BOARD AND COMMITTEE MEETINGS" of this report.

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is Mr. Chen Hong and the Managing Director is Mr. Sun Jun. Their roles are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Chen Hong as the Chairman has executive responsibilities, provides leadership to the Board and ensures the proper and effective functioning of the Board in the discharge of its responsibilities. Mr. Sun Jun as the Managing Director is accountable to the Board for the overall implementation of the Company's strategies and the co-ordination of overall business operations.

NON-EXECUTIVE DIRECTORS

All Directors, including Non-Executive Directors, appointed to fill a causal vacancy or as an addition to the existing Board, shall hold office only until the first general meeting after his appointment and shall then be eligible for re-election. Moreover, all Non-Executive Directors (including Independent Non-Executive Directors) are appointed for a term of not more than approximately three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director, or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the Articles of Association of the Company and/or applicable laws and regulations.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year under review and up to the date of this Report, the Company has complied with the requirements under Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from the three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat, in accordance with Rule 3.13 of the Listing Rules. The Company has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat served the Board for more than nine years. They have clearly demonstrated their willingness to exercise independent judgment and to provide objective challenges to the management. There is no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Mr. Fung, Mr. Choi and Mr. Chan remain independent, notwithstanding the length of their tenure.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment to the Board, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organized by government authorities, professional bodies and industrial organizations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. The Company organized a seminar in October 2014 to brief the Directors on the topic of "Comprehensive Budget Management" and provided reading materials to the Directors to develop and refresh their professional skill.

According to the records kept by the Company, the current Directors attended the following trainings during the year ended 31 December 2014.

Name of Director	Attending training course and seminar	Reading regulatory materials
Executive Directors		
Chen Hong	✓	✓
Sun Jun	✓	✓
Non-Executive Directors		
Liu Bing	✓	✓
Ho Lam Lai Ping, Theresa	✓	✓
Qiao Jiankang	✓	✓
Independent Non-Executive Directors		
Fung Lak	✓	✓
Choi Kam Fai, Thomas	✓	✓
Chan Cheong Tat	✓	✓

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Policy") on 23 August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognizes and embraces the benefits of having a diversified Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

BOARD DIVERSITY POLICY (CONTINUED)

The Nomination Committee has set the measurable objectives based on five focused areas: gender, age, length of service, professional experience and skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee reviews the Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises eight directors. Three of them are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board has maintained a balanced composition in terms of gender, age, professional experience, skills and knowledge.

Having reviewed the implementation of the Policy and the structure, size and composition of the Board, the Nomination Committee considered that the requirements of the Policy has been met.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions are set out below:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of Director and senior management of the Company;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board considered the following corporate governance issues:

(i) adopted the revised "Procedures for Shareholders to Propose a Person for Election as a Director"; and

(ii) reviewed the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in June 2005. Term of reference of the Remuneration Committee detailing the authorities and duties are available on the Company's website.

The Remuneration Committee comprises three Independent Non-Executive Directors, being Mr. Choi Kam Fai, Thomas, Mr. Fung Lak and Mr. Chan Cheong Tat. Mr. Choi Kam Fai, Thomas is the Chairman of the Remuneration Committee.

During the financial year ended 31 December 2014, the Remuneration Committee held three meetings to approve the annual review of the remuneration packages and performance bonuses for the Executive Directors. The attendance of each member of the Remuneration Committee is set out in the section headed "BOARD AND COMMITTEE MEETINGS" of this report.

Details of the amount of Directors' remuneration for the year 2014 are set out in note 8 to the financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee in June 2005. Term of reference of the Nomination Committee detailing the authority and duties are available on the Company's website.

The Nomination Committee comprises one Executive Director, being Mr. Chen Hong and three Independent Non-Executive Directors, being Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat. Mr. Chen Hong is the Chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of its Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the CG Code, considering the reappointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters.

During the financial year ended 31 December 2014, the Nomination Committee held one meeting (i) to evaluate the structure, size and composition of the Board; (ii) to assess the independence of Independent Non-Executive Directors; (iii) to review the Company's Board Diversity Policy and its implementation; (iv) to recommend to the Board the appointment of a Non-Executive Director and the re-election of Directors; and (v) to review the Procedures for Shareholders to Propose a Person for Election as a Director in order to incorporate the changes in line with provisions of the new Companies Ordinance effective on 3 March 2014. The attendance of each member of the Nomination Committee is set out in the section headed "BOARD AND COMMITTEE MEETINGS" of this report.

AUDIT COMMITTEE

The Audit Committee was established in September 1998. Term of reference of the Audit Committee detailing the authority and duties are available on the Company's website.

The Audit Committee comprises three Independent Non-Executive Directors, being Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat who all possess the required experience and knowledge in the accounting profession. Mr. Fung Lak is the Chairman of the Audit Committee.

During the financial year ended 31 December 2014, the Audit Committee held five meetings. It reviewed the 2013 annual results, the 2014 interim results and the 2014 quarterly results of the Company before their submission to the Board and monitored the integrity of such financial statements / financial information. The Audit Committee oversees matters concerning the external auditors including making recommendations to the Board regarding the appointment of the external auditors, reviewing the scope of their audit and work and approving their fees. In addition to the five meetings as aforesaid, the Audit Committee also had a private meeting with the external auditors without the presence of the management to discuss any area of concern. The Audit Committee further ensures that the management has put in place an effective system of internal control and maintains an overview of the Group's risk assessment, control and management processes. It reviews the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget. In addition, it reviews the internal audit schedules of the Group, considers the Group's internal audit reports and monitors the effectiveness of the internal audit function. The attendance of each member of the Audit Committee is set out in the section headed "BOARD AND COMMITTEE MEETINGS" of this report.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Ernst & Young, is set out as follows:

Services rendered	**Fee paid/payable** *HK$'000*
Audit of Final Results	1,274
Review of Interim Results	313

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Nomination Committee, Audit Committee and general meetings during the year ended 31 December 2014 are set out below:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Chen Hong	6/6	–	1/1	–	1/1	1/1
Sun Jun	6/6	–	–	–	1/1	1/1
Non-Executive Directors						
Liu Bing *(appointed on 1 April 2014)*	4/4	–	–	–	1/1	1/1
Ho Lam Lai Ping, Theresa	4/6	–	–	–	1/1	1/1
Qiao Jiankang	6/6	–	–	–	1/1	1/1
Xiong Guangyang *(resigned on 1 April 2014)*	0/2	–	–	–	–	–
Independent Non-Executive Directors						
Fung Lak	6/6	3/3	1/1	5/5	1/1	1/1
Choi Kam Fai, Thomas	6/6	3/3	1/1	5/5	1/1	1/1
Chan Cheong Tat	6/6	3/3	1/1	5/5	1/1	1/1

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2014, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2014, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements and, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis.

The Company endeavors to present a balanced, clear and comprehensible assessment of the Group’s performance, position and prospects. The annual and interim results of the Company are announced in a timely manner within the limit of three months and two months respectively after the end of the relevant periods in accordance with the Listing Rules. To further enhance the Company’s level of corporate governance and transparency, the Company has announced its unaudited quarterly financial information during the financial year ended 31 December 2014 and will continue to publish unaudited quarterly financial information in the future.

The Directors have acknowledged their responsibility for preparing all information and representations contained in the financial statements of the Company for the year ended 31 December 2014.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and its effectiveness. The internal control system has been designed to mitigate the Group's risk exposure; to facilitate the effectiveness and efficiency of operations; to safeguard the assets against loss and misappropriation; to maintain proper accounting records for producing reliable financial information and ensuring compliance with applicable laws and regulations.

The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. The Board has clearly defined the authorities and key responsibilities of each operational unit to ensure adequate checks and balances. The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

The Audit Committee is established to, inter alia, review internal control issues identified by the internal audit department, external auditors, regulatory authorities and management, and evaluate the adequacy and effectiveness of the Group's risk management and internal control systems.

The internal audit department monitors compliance with policies and procedures and the effectiveness of the internal control systems, and highlight significant findings in respect of any non compliance. It plays an important role in the Group's internal control framework, and provides objective assurance to the Board that a sound internal control system is maintained and operated in compliance with the established processes and standards by performing periodic checking. Using a risk-based approach, the internal audit department plans its internal audit schedules annually with audit resources being focused on higher risk areas. To preserve the audit independence, the head of internal audit department of the Company reports directly to the Board.

The Board has conducted an annual review of the effectiveness of the Group's system of internal control covering all material controls, including financial, operational and compliance controls and risk management systems. The Board is satisfied that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and accounts is reasonably effective and adequate.

COMPANY SECRETARY

Ms. Lo Sze Sze, the Company Secretary of the Company, is not a full time employee of the Company. She reports to the Chairman of the Company and responsible for advising the Board on corporate governance matters of the Company. The primary contact person of the Company with Ms. Lo is Ms. Lee Wai Mei, the Chief Financial Officer of the Company. Ms. Lo has confirmed that she has taken no less than 15 hours of relevant professional training during the year under review.

SHAREHOLDERS' RIGHTS

SHAREHOLDERS CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meeting may request the Directors to call a general meeting of the Company. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. Directors of the Company must call a meeting with 21 days after the date on which they become subject to the requirement. The meeting being called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the Directors fail to call the meeting, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting. The meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a meeting.

SHAREHOLDERS' ENQUIRIES AND PROPOSALS

Shareholders may direct their enquiries about their shareholdings to the Company's Share Registrar, Tricor Tengis Limited.

Shareholders may also send written enquiries and proposals to the Company, for the attention of the Chief Financial Officer or the Company Secretary by mail or by fax. The contact details of the Company are set out in the "Contact Us" section of the Company's website at www.gdtann.com.hk. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and to strengthen the communications with both the shareholders and the public. The Company has formulated the "Shareholders Communication Policy" which enable the shareholders to exercise their rights in an informed manner.

Details of the procedures for shareholders to propose a person for election as a Director of the Company are available on the Company's website.

CONSTITUTIONAL DOCUMENTS

At the extraordinary general meeting of the Company held on 24 June 2014, the amendments to the memorandum and articles of association of the Company and the adoption of a new set of articles of association ("New Articles of Association") were approved for the purposes of bringing the constitution of the Company in line with provisions of the new Companies Ordinance which came into effect in March 2014. The Company's New Articles of Association is available on the Company's website.

By order of the Board
Chen Hong
Chairman

Hong Kong, 26 March 2015

Independent Auditors' Report

EY 安永

To the shareholders of **Guangdong Tannery Limited**
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Guangdong Tannery Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 102, which comprise the consolidated and company statements of financial positions as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

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

26 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**767,185**	594,644
Cost of sales		**(729,758)**	(556,922)
Gross profit		**37,427**	37,722
Other income and gains	5	**4,893**	8,631
Selling and distribution expenses		**(3,343)**	(2,324)
Administrative expenses		**(27,010)**	(25,340)
Finance costs	6	**(6,676)**	(6,035)
PROFIT BEFORE TAX	6	**5,291**	12,654
Income tax expense	7	**(3,293)**	(6,923)
PROFIT FOR THE YEAR	10	**1,998**	5,731
EARNINGS PER SHARE	11		
– Basic		**HK0.37 cent**	HK1.07 cents
– Diluted		**HK0.37 cent**	HK1.06 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**1,998**	5,731
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) not to be reclassified to the statement of profit or loss in subsequent periods:			
Surplus/(deficit) on revaluation of buildings	*12*	**(50)**	4,521
Income tax effect	*23*	**12**	(1,130)
		(38)	3,391
Other comprehensive income/(loss) to be reclassified to the statement of profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,673)**	15,031
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(1,711)**	18,422
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**287**	24,153

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**103,991**	107,057
Prepaid land lease payments	13	**14,008**	14,377
Total non-current assets		**117,999**	121,434
CURRENT ASSETS			
Inventories	15	**303,235**	276,049
Receivables, prepayments and deposits	16	**279,783**	178,654
Pledged bank balances	17	**37,283**	4,618
Cash and bank balances	17	**20,421**	56,569
Tax recoverable		**332**	–
Total current assets		**641,054**	515,890
CURRENT LIABILITIES			
Trade payables	18	**97,718**	49,686
Other payables and accruals	18	**23,801**	26,811
Interest-bearing bank borrowings	19	**135,838**	57,372
Due to a PRC joint venture partner	20	**1,131**	1,131
Loans from the immediate holding company	19,21	**142,379**	142,379
Provision	22	**4,042**	4,056
Tax payable		**–**	1,773
Total current liabilities		**404,909**	283,208
NET CURRENT ASSETS		**236,145**	232,682
TOTAL ASSETS LESS CURRENT LIABILITIES		**354,144**	354,116
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**1,591**	1,304
Total non-current liabilities		**1,591**	1,304
Net assets		**352,553**	352,812
EQUITY			
Share capital	24	**75,032**	53,802
Other statutory capital reserve		**–**	21,230
Share capital and other statutory capital reserves		**75,032**	75,032
Other reserves	26(a)	**277,521**	277,780
Total equity		**352,553**	352,812

Chen Hong
Director

Sun Jun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Notes	Share capital HK$'000	Share premium account # HK$'000	Equity component of convertible notes HK$'000	General reserve fund HK$'000 (Note 26(a)(i))	Reserve funds HK$'000 (Note 26(a)(iii))	Share option reserve HK$'000 (Note 26(a)(v))	Capital redemption reserve # HK$'000	Exchange translation reserve HK$'000	Property revaluation reserve HK$'000	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013		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 year		–	–	–	–	–	–	–	–	–	–	5,731	5,731
Other comprehensive income for the year:													
Changes in fair value of buildings, net of tax		–	–	–	–	–	–	–	–	3,391	–	–	3,391
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	15,031	–	–	–	15,031
Total comprehensive income for the year		–	–	–	–	–	–	–	15,031	3,391	–	5,731	24,153
Equity-settled share option arrangements	25	–	–	–	–	–	(914)	–	–	–	–	–	(914)
Transfer from accumulated losses in accordance with the undertaking	26(a)(ii)	–	–	–	–	–	–	–	–	–	1,067	(1,067)	–
Transfer from retained profits of subsidiaries established in the PRC	26(a)(iii)	–	–	–	–	1,712	–	–	–	–	–	(1,712)	–
At 31 December 2013 and 1 January 2014		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 year		–	–	–	–	–	–	–	–	–	–	1,998	1,998
Other comprehensive income for the year:													
Changes in fair value of buildings, net of tax		–	–	–	–	–	–	–	–	(38)	–	–	(38)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(1,673)	–	–	–	(1,673)
Total comprehensive income for the year		–	–	–	–	–	–	–	(1,673)	(38)	–	1,998	287
Equity-settled share option arrangements	25	–	–	–	–	–	(546)	–	–	–	–	–	(546)
Transfer to accumulated losses in accordance with the undertaking	26(a)(ii)	–	–	–	–	–	–	–	–	–	(130)	130	–
Transfer from retained profits of subsidiaries established in the PRC	26(a)(iii)	–	–	–	–	821	–	–	–	–	–	(821)	–
Transition to no-par value regime	26(a)(iv)	21,230	(20,785)	–	–	–	–	(445)	–	–	–	–	–
At 31 December 2014		75,032	–*	5,545*	167,746*	20,054*	608*	–*	108,750*	5,582*	3,266*	(34,030)*	352,553

* These reserve accounts comprise the consolidated other reserves of HK277,521,000 (2013: HK$299,010,000) in the consolidated statement of financial position.

[#] Included in other statutory capital reserves in the consolidated statement of financial position.

Consolidated Cash Flow Statement

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,291**	12,654
Adjustments for:			
Finance costs	6	**6,676**	6,035
Interest income	5	**(152)**	(178)
Depreciation	6	**10,473**	10,160
Provision/(reversal of provision) for inventories	6	**(1,401)**	3,567
Gain on disposal of items of property, plant and equipment	6	**–**	(308)
Provision/(reversal of provision) on trade and bills receivables, net	6	**(632)**	530
Provision on other receivables	6	**–**	259
Provision for prepayment	6	**–**	89
Deficit/(surplus) on revaluation of buildings	6	**(429)**	429
Amortisation of prepaid land lease payments	6	**319**	316
Forfeiture of equity-settled share options	25	**(546)**	(914)
		19,599	32,639
Increase in inventories		**(26,613)**	(71,564)
Decrease/(increase) in receivables, prepayments and deposits		**(100,714)**	63,249
Increase in trade payables		**48,015**	8,320
Decrease in other payables and accruals		**(4,073)**	(11,122)
Increase in interest-bearing bank borrowings		**78,362**	1,929
Cash from operations		**14,576**	23,451
Interest received		**152**	178
Interest paid		**(6,032)**	(6,035)
Overseas tax paid		**(5,089)**	(9,548)
Net cash flows from operating activities		**3,607**	8,046
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(10,366)**	(6,880)
Decrease/(increase) in pledged bank balances		**(32,556)**	8,655
Receipt of government grants	30	**3,486**	–
Proceeds from disposal of items of property, plant and equipment		**–**	731
Net cash flows from/(used in) investing activities		**(39,436)**	2,506

Consolidated Cash Flow Statement (Continued)

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(35,829)**	10,552
Cash and cash equivalents at beginning of year		**56,569**	44,513
Effect of foreign exchange rate changes, net		**(319)**	1,504
CASH AND CASH EQUIVALENTS AT END OF YEAR		**20,421**	56,569
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**20,421**	56,569

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**37**	50
Interests in subsidiaries	*14*	**289,988**	300,979
Total non-current assets		**290,025**	301,029
CURRENT ASSETS			
Prepayments, deposits and other receivables		**203**	203
Cash and bank balances	*17*	**2,145**	2,414
Total current assets		**2,348**	2,617
CURRENT LIABILITIES			
Other payables and accruals		**307**	1,201
Loans from the immediate holding company	*19,21*	**87,779**	87,779
Total current liabilities		**88,086**	88,980
NET CURRENT LIABILITIES		**(85,738)**	(86,363)
Net assets		**204,287**	214,666
EQUITY			
Share capital	*24*	**75,032**	53,802
Other statutory capital reserve		**–**	21,230
Share capital and other statutory capital reserves		**75,032**	75,032
Other reserves	*26(b)*	**129,255**	139,634
Total equity		**204,287**	214,666

Chen Hong
Director

Sun Jun
Director

1. CORPORATE INFORMATION

Guangdong Tannery Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 29/F, Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

During the year, the Group was principally engaged in the processing and sale of semi-finished and finished leather.

GDH Limited ("GDH"), a company incorporated in Hong Kong, is the immediate holding company of the Company. In the opinion of the directors, the ultimate holding company of the Company is 廣東粵海控股集團有限公司, (formerly known as "廣東粵海控股有限公司") (Guangdong Holdings Limited), a company established in the People's Republic of China (the "PRC" or "Mainland China").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPAs"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for buildings classified as property, plant and equipment, which have been measured at fair value as further explained in note 2.4 to the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counter party to become the new counter party to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service conditions; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 3 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28(2011)	*Sale or Contribution of Assets between an Investor and its Associate Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27(2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that the first adopts HKFRS for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has been concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discounted Operations* are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at revaluated amount, in which the case the impairment loss is accounted for in accordance with the relevant accounting policy for that revaluated amount.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at revaluated amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revaluated asset.

Fair value measurement

The Group measures its buildings at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. Buildings are stated at valuation. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 10%
Leasehold improvements	4% to 20%
Plant and machinery	10% to 12.5%
Electronic equipment	20%
Furniture, fixtures and equipment	15% to 20%
Motor vehicles	15% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents machinery and equipment under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals, an amount due to a PRC joint venture partner, interest-bearing bank borrowings, and loans from the immediate holding company.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for staff redundancy payments and compensation to a PRC joint venture partner for early termination of a joint venture agreement are determined based on the relevant employment contracts and the terms of the joint venture agreement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Share-based payments (Continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "PRC Scheme") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the PRC Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of each reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for inventories

Management reviews the condition of inventories of the Group at the end of each reporting period and makes provision for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Management reassesses the estimation at the end of each reporting period.

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the assets. The estimation of the useful life of the asset is based on experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2014 was HK$72,038,000 (2013: HK$60,943,000). Further details are contained in note 23 to the financial statements.

Impairment of property, plant and equipment

The Group assesses at the end of each reporting period whether there is an indication that property, plant and equipment may be impaired. If any indication exists, the Group estimates the recoverable amount of the property, plant and equipment. The Group measures the recoverable amount of the property, plant and equipment with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from property, plant and equipment and a suitable discount rate in order to calculate the present value. As at 31 December 2014, the carrying amount of property, plant and equipment was approximately HK$103,991,000 (2013: HK$107,057,000) (note 12).

4. OPERATING SEGMENT INFORMATION

No separate analysis of operating segment information is presented by the Group as over 90% of the Group's revenue, results and assets related to the processing and sale of semi-finished and finished leather in Mainland China during the year.

Information about a major customer

Revenue of approximately HK$119,847,000 (2013: HK$89,205,000) was derived from sales to a single customer, which constituted 15.6% (2013: 15.0%) of the total revenue, during the year ended 31 December 2014.

5. REVENUE, OTHER INCOME AND GAINS

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

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

		Group	
	Note	**2014** **HK$'000**	2013 HK$'000
Revenue			
Processing and sale of leather		**767,185**	594,644
Other income			
Interest income		**152**	178
Sale of scrap materials		**2,948**	2,269
Government grants*		**675**	1,502
Others		**57**	514
		3,832	4,463
Gains			
Surplus on revaluation of buildings	*12(a)*	**429**	–
Foreign exchange gain, net		**–**	4,168
Write-back of provision for trade and bills receivables		**632**	–
		1,061	4,168
		4,893	8,631

* During the year ended 31 December 2014, the Group received HK$675,000 (2013: HK$1,502,000) from the PRC local government to support the Group's PRC operations.

6. PROFIT BEFORE TAX

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

	Notes	2014 HK$'000	2013 HK$'000
Cost of inventories sold		731,159	553,355
Auditors' remuneration		1,274	1,237
Depreciation	12	10,473	10,160
Interest on:			
Bank loans and discounting bills receivable to banks		2,633	1,948
Loans from the immediate holding company		4,043	4,087
		6,676	6,035
Employee benefit expense (excluding directors' remuneration *(note 8)*):			
Wages and salaries		37,088	34,588
Pension scheme contributions (defined contribution schemes)*		3,514	3,090
Forfeiture of equity-settled share options		(125)	(284)
		40,477	37,394
Provision/(reversal of provision) for inventories**		(1,401)	3,567
Minimum lease payments under operating leases in respect of land and buildings		920	775
Amortisation of prepaid land lease payments	13	319	316
Deficit/(surplus) on revaluation of buildings	12(a)	(429)	429
Gain on disposal of items of property, plant and equipment		–	(308)
Provision/(reversal of provision) for trade and bills receivables, net	16	(632)	530
Provision for other receivables	16	–	259
Provision for prepayment		–	89

* At 31 December 2014 and 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

** This item is included in the "cost of sales" on the face of the consolidated statement of profit or loss.

7. 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 year (2013: Nil). Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in Mainland China in which the Group operates.

	2014 *HK$'000*	2013 *HK$'000*
Group:		
Current – Mainland China		
Charge for the year	2,998	7,030
Deferred *(note 23)*	295	(107)
Total tax charge for the year	3,293	6,923

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2014

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
Profit/(loss) before tax	(9,569)	14,860	5,291
Tax at the statutory tax rate	(1,579)	3,715	2,136
Income not subject to tax	(91)	(341)	(432)
Expenses not deductible for tax	1,661	236	1,897
Tax loss utilised from previous periods	–	(317)	(317)
Tax loss not recognised	9	–	9
Tax charge at the Group's effective rate	–	3,293	3,293

7. INCOME TAX (CONTINUED)

Group – 2013

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	(10,160)	22,814	12,654
Tax at the statutory tax rate	(1,676)	5,703	4,027
Income not subject to tax	(152)	(426)	(578)
Expenses not deductible for tax	1,828	1,646	3,474
Tax charge at the Group's effective rate	–	6,923	6,923

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Fees	**450**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**1,187**	1,114
Performance related bonuses*	**926**	639
Forfeiture of equity-settled share options	**(421)**	(630)
Pension scheme contributions	**287**	287
	1,979	1,410
	2,429	1,860

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

8. DIRECTORS' REMUNERATION (CONTINUED)

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosure.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014	2013
	HK$'000	*HK$'000*
Mr. Fung Lak	**150**	150
Mr. Choi Kam Fai, Thomas	**150**	150
Mr. Chan Cheong Tat	**150**	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share options forfeited HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014						
Executive directors:						
Mr. Chen Hong	–	718	295	(90)	253	1,176
Mr. Sun Jun	–	469	631	(22)	34	1,112
	–	1,187	926	(112)	287	2,288
Non-executive directors:						
Mr. Xiong Guangyang*	–	–	–	(278)	–	(278)
Mrs. Ho Lam Lai Ping, Theresa	–	–	–	–	–	–
Mr. Qiao Jiankang	–	–	–	(31)	–	(31)
Mr. Liu Bing	–	–	–	–	–	–
	–	–	–	(309)	–	(309)
	–	1,187	926	(421)	287	1,979

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option forfeited HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Executive directors:						
Mr. Chen Hong	–	675	314	(239)	271	1,021
Mr. Sun Jun	–	439	325	(66)	16	714
	–	1,114	639	(305)	287	1,735
Non-executive directors:						
Mr. Xiong Guangyang*	–	–	–	(242)	–	(242)
Mrs. Ho Lam Lai Ping, Theresa	–	–	–	–	–	–
Mr. Qiao Jiankang	–	–	–	(83)	–	(83)
	–	–	–	(325)	–	(325)
	–	1,114	639	(630)	287	1,410

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* Mr. Xiong Guangyang resigned as a non-executive director of the Company on 1 April 2014.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2013: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2013: three) highest paid employees who are not directors of the Company, are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Salaries and allowances	**1,844**	1,679
Pension scheme contributions	**67**	51
	1,911	1,730

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**3**	3

10. LOSS FOR THE YEAR

Loss of the Company for the year ended 31 December 2014 of HK$8,081,000 (2013: HK$8,040,000) has been dealt with in the consolidated profit attributable to equity holders of the Company for the year.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year and the weighted average number of ordinary shares of 538,019,000 (2013: 538,019,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 ordinary share options into ordinary shares.

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

	2014 ***HK$'000***	2013 *HK$'000*
Earnings		
Profit for the year, used in the basic earnings per share calculation	**1,998**	5,731

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year 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	**–**	138,568
	538,019,000	538,157,568

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Electronic equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014								
At 1 January 2014:								
Cost or valuation	53,049	21,633	109,119	4,244	497	6,240	3,100	197,882
Accumulated depreciation and impairment	–	(11,772)	(69,263)	(3,390)	(446)	(5,954)	–	(90,825)
Net carrying amount	53,049	9,861	39,856	854	51	286	3,100	107,057
At 1 January 2014, net of accumulated depreciation and impairment	53,049	9,861	39,856	854	51	286	3,100	107,057
Additions	–	433	2,052	174	–	163	7,544	10,366
Disposals	–	–	(2,987)	–	–	–	–	(2,987)
Surplus on revaluation *(note (a))*	379	–	–	–	–	–	–	379
Depreciation provided during the year	(2,250)	(1,378)	(6,091)	(414)	(13)	(327)	–	(10,473)
Transfer	–	–	5,839	154	–	15	(6,008)	–
Exchange realignment	(159)	(44)	(139)	(2)	(1)	(2)	(4)	(351)
At 31 December 2014, net of accumulated depreciation and impairment	51,019	8,872	38,530	766	37	135	4,632	103,991
At 31 December 2014:								
Cost or valuation	51,019	21,996	112,536	4,560	497	6,405	4,632	201,645
Accumulated depreciation and impairment	–	(13,124)	(74,006)	(3,794)	(460)	(6,270)	–	(97,654)
Net carrying amount	51,019	8,872	38,530	766	37	135	4,632	103,991
Analysis of cost or valuation:								
At cost	–	21,996	112,536	4,560	497	6,405	4,632	150,626
At 31 December 2014 valuation	51,019	–	–	–	–	–	–	51,019
	51,019	21,996	112,536	4,560	497	6,405	4,632	201,645

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Electronic equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013								
At 1 January 2013:								
Cost or valuation	49,822	20,373	103,419	4,096	687	6,566	2,907	187,870
Accumulated depreciation and impairment	–	(10,281)	(64,662)	(2,908)	(661)	(5,798)	–	(84,310)
Net carrying amount	49,822	10,092	38,757	1,188	26	768	2,907	103,560
At 1 January 2013, net of accumulated depreciation and impairment	49,822	10,092	38,757	1,188	26	768	2,907	103,560
Additions	–	614	1,024	121	34	5	5,082	6,880
Disposals	–	–	(329)	(13)	–	(81)	–	(423)
Surplus on revaluation *(note (a))*	4,092	–	–	–	–	–	–	4,092
Depreciation provided during the year	(2,246)	(1,212)	(5,740)	(520)	(9)	(433)	–	(10,160)
Transfers	–	–	4,936	46	–	–	(4,982)	–
Exchange realignment	1,381	367	1,208	32	–	27	93	3,108
At 31 December 2013, net of accumulated depreciation and impairment	53,049	9,861	39,856	854	51	286	3,100	107,057
At 31 December 2013:								
Cost or valuation	53,049	21,633	109,119	4,244	497	6,240	3,100	197,882
Accumulated depreciation and impairment	–	(11,772)	(69,263)	(3,390)	(446)	(5,954)	–	(90,825)
Net carrying amount	53,049	9,861	39,856	854	51	286	3,100	107,057
Analysis of cost or valuation:								
At cost	–	21,633	109,119	4,244	497	6,240	3,100	144,833
At 31 December 2013 valuation	53,049	–	–	–	–	–	–	53,049
	53,049	21,633	109,119	4,244	497	6,240	3,100	197,882

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Furniture, fixtures and equipment HK$'000
31 December 2014	
At 1 January 2014:	
Cost	**217**
Accumulated depreciation	**(167)**
Net carrying amount	**50**
At 1 January 2014, net of accumulated depreciation	**50**
Depreciation provided during the year	**(13)**
At 31 December 2014, net of accumulated depreciation	**37**
At 31 December 2014:	
Cost	**217**
Accumulated depreciation	**(180)**
Net carrying amount	**37**
31 December 2013	
At 1 January 2013:	
Cost	406
Accumulated depreciation	(381)
Net carrying amount	25
At 1 January 2013, net of accumulated depreciation	25
Additions	34
Depreciation provided during the year	(9)
At 31 December 2013, net of accumulated depreciation	50
At 31 December 2013:	
Cost	217
Accumulated depreciation	(167)
Net carrying amount	50

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group's buildings were revalued individually at 31 December 2014 based on the valuations performed by Vigers Appraisal & Consulting Limited, independent professionally qualified valuer, at an aggregate open market value of HK$51,019,000 (2013: HK$53,049,000) based on their existing use, with a net revaluation surplus of HK$379,000 (2013: HK$4,092,000) consisting of a revaluation deficit of HK$50,000 (2013: revaluation surplus of HK$4,521,000) debited to other comprehensive income and a revaluation surplus of HK$429,000 (2013: revaluation deficit of HK$429,000) included in the consolidated statement of profit or loss.

Had these buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts as at 31 December 2014 would have been approximately HK$41,768,000 (2013: HK$44,160,000).

Each year, the Group appoints an external valuer to be responsible for external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussion with surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's buildings:

	Fair value measurement as at 31 December 2014 using		
	Quoted prices in active market (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*
Recurring fair value measurement for properties held for own use	–	–	51,019

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Properties held for own use *HK$'000*
Carrying amount at 1 January 2014	53,049
Depreciation charge for the year	(2,250)
Net loss from fair value measurement recognised in other comprehensive income	(50)
Net gain from fair value measurement in profit or loss	429
Exchange realignment	(159)
Carrying amount at 31 December 2014	51,019

Below is a summary of the valuation technique used and the key inputs to the valuation:

	Valuation technique	Significant unobservable inputs	Range
Properties held for own use	Market approach	Price per square meter	RMB135 to RMB136 per square meter
	Depreciated replacement cost method	Estimated hard cost of construction per square meter	RMB400 to RMB900 per square meter
		Estimated soft cost	2% to 5.6 % on estimated hard cost of construction

A combination of the market and depreciated replacement cost approaches was adopted in assessing the land portions of the properties and the buildings and structures standing on the land respectively. The sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the sales comparables in the locality. Due to the nature of the buildings and structures cannot be valued on the basis of market value; they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparable sales.

A significant increase/(decrease) in the estimated price per square meter, hard and soft cost of construction, in isolation would result in a significant increase/(decrease) in the fair value of the properties held for own use.

13. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount at 1 January	**14,698**	14,564
Recognised during the year *(note 6)*	**(319)**	(316)
Exchange realignment	**(51)**	450
Carrying amount at 31 December	**14,328**	14,698
Current portion included in receivables, prepayments and deposits	**(320)**	(321)
Non-current portion	**14,008**	14,377

The Group's leasehold land is held under medium term leases and is situated in Mainland China.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**220,008**	220,008
Loans to subsidiaries	**222,822**	232,061
	442,830	452,069
Impairments #	**(152,842)**	(151,090)
	289,988	300,979

Impairments were recognised for certain unlisted investments and loans to subsidiaries with a total carrying amount of HK$189,233,000 (before deducting the impairments) (2013: HK$ HK$187,699,000) because these subsidiaries had been making losses persistently.

14. INTERESTS IN SUBSIDIARIES (CONTINUED)

Movements in the impairments of interests in subsidiaries are as follows:

	2014 HK$'000	2013 HK$'000
At 1 January	151,090	151,124
Impairment losses recognised/(reversed)	1,752	(34)
At 31 December	152,842	151,090

Loans to subsidiaries are unsecured, interest-free and are not repayable within one year from 31 December 2014. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name	Place of registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct (%)	Principal activities
徐州港威皮革有限公司 (Xuzhou Gangwei Leather Co., Ltd.) +*	PRC/Mainland China	RMB18,000,000	100	Leather trading and lease of plant and machinery
徐州南海皮廠有限公司 (Xuzhou Nanhai Leather Factory Co., Ltd.)+*	PRC/Mainland China	US$10,450,000	100	Processing of cowhides and leather trading
粵海制革(徐州)有限公司 (Guangdong Tannery (Xuzhou) Limited) +*	PRC/Mainland China	US$9,000,000	100	Lease of plant and machinery

+ Registered as wholly-foreign-owned enterprises under PRC law.
* Subsidiaries whose financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year and formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INVENTORIES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**72,952**	74,175
Work in progress	**183,964**	129,543
Finished goods	**46,319**	72,331
	303,235	276,049

16. RECEIVABLES, PREPAYMENTS AND DEPOSITS

As at 31 December 2014, included in the Group's receivables, prepayments and deposits were trade and bills receivables with a net balance of HK$275,240,000 (2013: HK$174,486,000) due from the Group's customers.

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 to two to three 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 enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate their fair values.

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current	**275,350**	174,486
Less than 3 months	**–**	745
3 to 6 months	**–**	–
Over 6 months	**73**	73
	275,423	175,304
Impairment	**(183)**	(818)
	275,240	174,486

16. RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Movements in the provision for impairment of trade and bills receivables are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**818**	273
Impairment losses recognised/(reversed)	**(632)**	530
Bad debt written off	**–**	–
Exchange realignment	**(3)**	15
At 31 December	**183**	818

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$183,000 (2013: HK$818,000) with a carrying amount before provision of HK$183,000 (2013: HK$1,257,000). The individually impaired trade and bills receivables relate to debtors that were in default or delinquency payments and only a portion of receivables is expected to be recovered.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**275,240**	174,047
Less than 3 months past due	**–**	–
	275,240	174,047

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

As at 31 December 2014, a provision of HK$382,000 (2013: HK$384,000) was recognised for other receivables with gross carrying amount of HK$382,000 (2013: HK384,000).

Movements in the provision for impairment of other receivables are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**384**	117
Impairment losses recognised	**–**	259
Exchange realignment	**(2)**	8
At 31 December	**382**	384

The carrying amount of other receivables approximate their carrying values.

17. CASH AND BANK BALANCES AND PLEDGED BANK BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**57,704**	61,187	**2,415**	2,414
Less: Pledged bank balances*	**(37,283)**	(4,618)	**–**	–
Cash and bank balances	**20,421**	56,569	**2,415**	2,414

* These bank balances were pledged to banks for banking facilities granted to the Group (note 32).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$54,901,000 (2013: HK$58,563,000). The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and bank balances approximate their fair values.

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**66,526**	31,418
3 to 6 months	**26,956**	14,879
Over 6 months	**4,236**	3,389
	97,718	49,686

The trade payables of the Group are non-interest-bearing and are normally settled on terms of 60 to 90 days. Other payables of the Group and the Company are non-interest-bearing and have an average term of three months. The carrying amounts of trade and other payables approximate their fair values.

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2013		
	Effective interest rate ***(%)***	**Maturity**	**Amount** ***HK$'000***	Effective interest rate *(%)*	Maturity	Amount *HK$'000*
Group						
Current						
Trust receipt loans, secured	**2.93-3.10**	**2015**	**135,838**	2.34-3.35	2014	57,372
Loans from the immediate holding company *(note 21)*	**2.74-2.88**	**2015**	**142,379**	2.75-2.89	2014	142,379
			278,217			199,751
Company						
Current						
Loans from the immediate holding company *(note 21)*	**2.74-2.88**	**2015**	**87,779**	2.75-2.89	2014	87,779

19. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Trust receipt loans repayable within one year	**135,838**	57,372	**–**	–
Other borrowings repayable within one year	**142,379**	142,379	**87,779**	87,779
	278,217	199,751	**87,779**	87,779

The Group's trust receipt loan facilities which are denominated in United States dollars and amounted to HK$486,345,000 (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. HK$135,838,000 had been utilised at 31 December 2014 (2013: HK$57,372,000).

Details of the pledge of assets are included in note 32 to the financial statements.

The carrying amounts of the Group's interest-bearing bank borrowings approximate their fair values.

20. DUE TO A PRC JOINT VENTURE PARTNER

The amount due to a PRC joint venture partner is unsecured, interest-free and has no fixed terms of repayment. The carrying amount approximates its fair value.

21. LOANS FROM THE IMMEDIATE HOLDING COMPANY

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

	Group		Company	
	2014	2013	**2014**	2013
Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(a)	**22,779**	22,779	**22,779**	22,779
(b)	**65,000**	65,000	**65,000**	65,000
(c)	**54,600**	54,600	**–**	–
	142,379	142,379	**87,779**	87,779

Notes:

(a) The balance represents an unsecured loan of US$2,920,000 (2013: US$2,920,000), which bears interest at 3-month LIBOR + 2.5% (2013: 3-month LIBOR + 2.5%) and is repayable on 31 July 2015 (2013: repayable on 31 July 2014).

(b) The balance represents an unsecured loan of HK$65,000,000 (2013: HK$65,000,000), which bears interest at 3-month HIBOR + 2.5% (2013: 3-month HIBOR + 2.5%) and is repayable on 9 August 2015 (2013: repayable on 9 August 2014).

(c) The balance represents an unsecured loan of US$7,000,000 (2013: US$7,000,000), which bears interest at 3-month LIBOR + 2.5% (2013: 3-month LIBOR + 2.5%) and is repayable on 30 December 2015 (2013: 30 December 2014).

The carrying values of the loans approximate their fair values.

22. PROVISION

Group

	Early termination of a joint venture agreement HK$'000
At 1 January 2013, 31 December 2013 and 1 January 2014	4,056
Exchange realignment	(14)
At 31 December 2014	4,042

With respect to the Group's decision in August 2001 to curtail the operations of 青島南海皮廠有限公司 (Qingdao Nanhai Tannery Co., Ltd.) ("Qingdao Tannery"), a subsidiary of the Group, due to its continuous losses, provisions of RMB3,000,000 were made for (a) staff redundancy payments of RMB2,000,000; and (b) compensation of RMB1,000,000 to the PRC joint venture partner for early termination of the joint venture agreement with Qingdao Tannery. These provisions were determined based on the relevant employment contracts and the terms of the joint venture agreement.

Qingdao Tannery is a Sino-foreign co-operative joint venture. Pursuant to the joint venture agreement, the registered capital of Qingdao Tannery was solely contributed by the Company. The PRC joint venture partner contributed its plant and equipment for the operations of Qingdao Tannery. The Company is entitled to all its distributable profits after the payment of an agreed annual fee to the PRC joint venture partner.

During the year ended 31 December 2004, the arbitration proceedings undertaken by the Group and the PRC joint venture partner were concluded by the China International Economic and Trade Arbitration Commissions in Shenzhen and Beijing. These proceedings determined that (i) the joint venture agreement of Qingdao Tannery was terminated with effect from 23 August 2001; (ii) Qingdao Tannery should be liquidated in accordance with the joint venture agreement and the relevant laws and regulations in the PRC; and (iii) the PRC joint venture partner's claim against the Company for an economic loss of RMB15 million due to the termination of the joint venture agreement was revoked.

As the liquidation of Qingdao Tannery has not been completed, no payment for the provision, additional provision or reversal of provision was made during the year.

23. DEFERRED TAX LIABILITIES

Movements in deferred tax liabilities/(assets) of the Group during the year are as follows:

	Depreciation in excess of related tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2013	(878)	1,187	309
Deferred tax debited to the property revaluation reserve	–	1,130	1,130
Exchange realignment	(28)	–	(28)
Deferred tax credited to the statement of profit or loss during the year *(note 7)*	–	(107)	(107)
At 31 December 2013 and 1 January 2014	**(906)**	**2,210**	**1,304**
Deferred tax credited to the property revaluation reserve	**–**	**(12)**	**(12)**
Exchange realignment	**4**	**–**	**4**
Deferred tax debited to the statement of profit or loss during the year *(note 7)*	**188**	**107**	**295**
At 31 December 2014	**(714)**	**2,305**	**1,591**

The Group has tax losses arising in Hong Kong of HK$72,038,000 (2013: HK$60,943,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2014, the Group had tax losses arising in Mainland China of HK$6,116,000 (2013: HK$7,384,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and the directors considered it is not probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

23. DEFERRED TAX LIABILITIES (CONTINUED)

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The unremitted earnings of the subsidiaries in Mainland China which represented the aggregate amount of the temporary differences that deferred tax liabilities have not been recognised totalled approximately HK$127,065,000 at 31 December 2014 (2013: HK$118,268,000).

24. SHARE CAPITAL

Shares

	2014 ***HK$'000***	2013 *HK$'000*
Authorised: *(note (i))*		
Nil (2013: 700,000,000 ordinary shares of HK$0.10 each) *(note (ii))*	**–**	70,000
Issued and fully paid:		
538,019,000 (2013: 538,019,000) ordinary shares	**75,032**	53,802

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which became effective on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

25. 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 of directors of the Company (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.

The total number of ordinary shares which may be issued upon exercise of all share options to be granted under the 2008 Scheme (excluding any which has lapsed) and any other schemes of the Company must not, in aggregate, exceed 10% of the ordinary shares in issue as at the date of the adoption of the 2008 Scheme.

25. SHARE OPTION SCHEME(CONTINUED)

The total number of ordinary shares issued and to be issued upon exercise of the share options granted and to be granted under the 2008 Scheme to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant of share options must not exceed 1% of the ordinary shares in issue at such date. Any further grant of share options under the 2008 Scheme in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director or chief executive of the Company, or any of their respective associates, under the 2008 Scheme must be approved by the independent non-executive directors of the Company. In addition, for any share options granted to an independent non-executive director of the Company, or any of their respective associates, which would result in the ordinary shares issued and to be issued upon exercise of all share options already granted or to be granted under the 2008 Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the ordinary shares in issue; and (ii) having an aggregate value (based on the closing price of the ordinary shares at the date of grant) in excess of HK$5 million, such grant of options by the Board must be approved by shareholders in a general meeting.

An offer of grant of a share option under the 2008 Scheme may be accepted by the grantee within the period of the time stipulated by the Board, but no later than 14 days from the date of such offer. All share options under the 2008 Scheme will be unvested share options upon grant which will, subject to a grantee continuing to be an eligible person, vest with the grantee in accordance with the vesting schedules specified in their respective offer of grant. Subject to the rules of the 2008 Scheme and the relevant offer of the grant of a share option, a vested share option may be exercised in accordance with the terms of the rules of the 2008 Scheme at any time during the period to be determined and notified by the directors to each grantee, which period may commence on the date which is 2 years from the date of grant of the share option but shall end in any event not later than 10 years from the aforesaid date of grant. The exercise of any share option under the 2008 Scheme may be subject to the achievement of performance targets which may be determined by the Board, at its absolute discretion, on a case by case basis upon the grant of the relevant share option and stated in the offer of grant of such share option.

The exercise price of the share options under the 2008 Scheme is determinable by the Board and shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the share options; (ii) the average closing price of the Company's ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the nominal value of the ordinary shares.

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to any share option that has not been exercised.

25. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding during the year:

	2014 Weighted average exercise price per share HK$	2014 Number of options '000	2013 Weighted average exercise price per share HK$	2013 Number of options '000
At 1 January	**0.435**	**5,247**	0.429	11,236
Forfeited during the year	**0.435**	**(2,613)**	0.424	(5,989)
At 31 December	**0.435**	**2,634**	0.435	5,247

The exercise prices and exercise periods of the share options outstanding as at 31 December 2014 and 2013 are as follows:

2014

Number of options '000	Exercise price per share* HK$	Exercise period (dd. mm. yyyy)
2,634	**0.435**	**14.7.2015-13.1.2016**

2013

Number of options '000	Exercise price per share* HK$	Exercise period (dd. mm. yyyy)
1,749	0.435	14.7.2014-13.1.2016
3,498	0.435	14.7.2015-13.1.2016
5,247		

* 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 fair values of the share options granted in the years 2008 and 2010 were HK$940,000 and HK$4,225,000, respectively, of which the Group recognised an income of HK$546,000 due to forfeiture (2013: HK$914,000) in respect of equity-settled share option arrangements during the year ended 31 December 2014.

25. SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted under the 2008 Scheme in 2010 and in 2008 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008	2010
Dividend yield (%)	Nil	Nil
Expected volatility (%)	91.26	70.261
Risk-free interest rate (%)	1.39	1.64
Expected life of options (year)	5.5	5.5
Closing share price at date of grant (HK$)	0.27	0.435

The expected life of the options is based on the historical data over the past five years and six months and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

During the year ended 31 December 2014, 2,613,000 share options under the 2008 Scheme granted in 2010 were forfeited. During the year ended 31 December 2013, 5,589,000 share options and 400,000 share options under the 2008 Scheme granted in 2010 and 2008, respectively, were forfeited.

As at 31 December 2014 and at the date of approval of these financial statements, the Company had 2,634,000 share options outstanding under the 2008 Scheme, which represented approximately 0.49% of ordinary shares in issue at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,634,000 additional ordinary shares of the Company and additional share capital of HK$1,146,000 (before issue expenses).

The total number of ordinary shares which may be issued upon exercise of share options yet to be granted under the 2008 Scheme (and thus not including those ordinary shares for share options already granted but yet to be exercised) was 30,340,000, which represented approximately 5.64% of the issued share capital of the Company as at the date of this annual report.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) 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 order 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 the 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.

(ii) 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. 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.

26. RESERVES (CONTINUED)

(a) Group (Continued)

(ii) (continued)

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;

(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 year ended 31 December 2014, an addition of provision for impairment of HK$130,000 was made for the Assets. This resulted in a transfer of HK$130,000 from the Special Capital Reserve to the accumulated losses.

During the year ended 31 December 2013, recovery of the Assets by way of release of provision was HK$1,067,000. This resulted in a transfer of HK$1,067,000 from accumulated losses to the Special Capital Reserve.

26. RESERVES (CONTINUED)

(a) Group (Continued)

(ii) (continued)

(4) (continued)

The Limit as at 31 December 2014 was HK$150,273,970 (2013: HK$150,273,970) and the amount standing to the credit of the Group's Special Capital Reserve as at 31 December 2014 was HK$3,266,000 (2013: HK$3,396,000).

(iii) Pursuant to the relevant PRC laws and regulations, a portion of the profits of the Group's subsidiaries which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

(iv) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(v) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments transactions in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or to retained profits should the related options expire or lapse.

26. RESERVES (CONTINUED)

(b) Company

	Notes	Share premium account HK$'000	Equity component of convertible notes HK$'000	General reserve fund HK$'000	Share option reserve HK$'000 (Note 26 (a)(v))	Capital redemption reserve HK$'000	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013		20,785	5,545	167,746	2,068	445	2,329	(29,134)	169,784
Equity-settled share option arrangements	25	–	–	–	(914)	–	–	–	(914)
Transfer from accumulated losses in accordance with the undertaking	26(a)(ii)	–	–	–	–	–	1,067	(1,067)	–
Total comprehensive loss for the year		–	–	–	–	–	–	(8,006)	(8,006)
At 31 December 2013 and 1 January 2014		20,785	5,545	167,746	1,154	445	3,396	(38,207)	160,864
Equity-settled share option arrangements	25	–	–	–	(546)	–	–	–	(546)
Transfer to accumulated losses in accordance with the undertaking	26(a)(ii)	–	–	–	–	–	(130)	130	–
Transition to no-par value regime	26(a)(iv)	(20,785)	–	–	–	(445)	–	–	(21,230)
Total comprehensive loss for the year		–	–	–	–	–	–	(9,833)	(9,833)
At 31 December 2014		–	5,545	167,746	608	–	3,266	(47,910)	129,255

The Company's general reserve fund and special capital reserve represent undistributable reserves and may not be treated as realised profits as detailed in note 26(a) to the financial statements.

27. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks for banking facilities granted to a subsidiary	**–**	–	**486,345**	433,877
Banking facilities with the Company's guarantees utilised by a subsidiary	**–**	–	**135,838**	57,372

28. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**552**	537
In the second to fifth years, inclusive	**540**	1,091
	1,092	1,628

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following capital commitments at the end of the reporting period:

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Contracted, but not provided for:				
Land and buildings	1,707	1,418	–	–
Leasehold improvements	63	38	–	–
Plant and machinery	8,101	4,732	–	–
	9,871	6,188	–	–

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year ended 31 December 2014, the Group purchased items of equipment at HK$3,486,000. A government grant of HK$3,486,000 was received from the PRC local government to support the purchase of equipment which offset the purchase consideration. The acquisition has no impact on the addition of property, plant and equipment during the year ended 31 December 2014.

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	**2014** ***HK$'000***	2013 *HK$'000*
Office rental paid to a fellow subsidiary	*(i)*	**477**	346
Computer system maintenance service fees paid to the immediate holding company	*(ii)*	**101**	129
Interest expense paid to the immediate holding company	*(iii)*	**4,043**	4,087
Computer system software cost and implementation fee paid to the ultimate holding company	*(iv)*	**197**	–

Notes:

(i) The office rental was charged by a fellow subsidiary at HK$28,800 per month during the period from 1 January 2014 to 5 February 2014 and HK$40,960 per month during the period from 6 February 2014 to 31 December 2014 (2013: HK$28,800 per month) commencing from 6 February 2011 in accordance with the terms of the rental agreement between the Group and the fellow subsidiary. As at 31 December 2014, the Group had a rental deposit of HK$138,786 (2013: HK$122,880) with the fellow subsidiary.

(ii) The immediate holding company charged maintenance service fees at HK$8,386 per month for the year ended 31 December 2014 (2013: HK$10,786 per month) for the computer system used by the Group.

(iii) The interest expense paid to the immediate holding company arose from the loans advanced from GDH. Further details of the loans, including the terms, are disclosed in note 21 to the financial statements.

(iv) The ultimate holding company charged computer system software cost and implementation fee at HK$197,000 per year for the year ended 31 December 2014 for the computer system used by the Group.

(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 31 December 2014 were approximately HK$492,000 and HK$540,000, respectively.

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. The total operating lease commitments due within one year and in the second to fifth years as at 31 December 2014 were nil (2013: HK$34,000) and nil (2013: nil), respectively.

(c) Outstanding balances with related parties:

Details of the Group's and the Company's loans from the immediate holding company as at the end of the reporting period are included in note 21 to the financial statements.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group:

The key management personnel are the directors. Details of their remuneration are disclosed in note 8 to the financial statements.

The related party transactions in respect of items in note 31(a)(i), 31(a)(ii), 31(a)(iv), 31(b) above also constituted continuing connected transactions and those in note 31(a)(iii), 31(c) above constituted connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

32. PLEDGE OF ASSETS

As at 31 December 2014, assets of the Group pledged to banks to secure general banking facilities granted to the Group were as follows:

		Group	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Bank balances	*17*	**37,283**	4,618

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the respective reporting period are as follows:

Financial assets

	Group	
	2014	2013
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
Trade and bills receivables	**275,240**	174,486
Financial assets included in deposits and other receivables	**2,928**	1,709
Pledged bank balances	**37,283**	4,618
Cash and bank balances	**20,421**	56,569

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Group	
	2014 Financial liabilities at amortised cost HK$'000	2013 Financial liabilities at amortised cost HK$'000
Trade payables	**97,718**	49,686
Financial liabilities included in other payables and accruals	**16,034**	21,110
Interest-bearing bank borrowings	**135,838**	57,372
Due to a PRC joint venture partner	**1,131**	1,131
Loans from the immediate holding company	**142,379**	142,379

Financial assets

	Company	
	2014 Loans and receivables HK$'000	2013 Loans and receivables HK$'000
Financial assets included in deposits and other receivables	**164**	164
Cash and bank balances	**2,145**	2,414

Financial liabilities

	Company	
	2014 Financial liabilities at amortised cost HK$'000	2013 Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	**307**	1,201
Loans from the immediate holding company	**87,779**	87,779

34. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Endorsed Bills") with a carrying amount of RMB4,000,000 (equivalent to HK$5,070,000) (2013: RMB4,230,000 (equivalent to HK$5,380,000)) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB4,000,000 (equivalent to HK$5,070,000) (2013: RMB4,230,000 (equivalent to HK$5,380,000)) as at 31 December 2014.

Transferred financial assets that are derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB33,282,000 (equivalent to HK$42,188,000) (2013: RMB10,020,700 (equivalent to HK$12,745,000). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2014, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year ended 31 December 2014.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing secured bank borrowings, interest-bearing unsecured other borrowings from the immediate holding company, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to certain of the Group's debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using an appropriate mix of fixed and floating rate borrowings. Despite the fact that the Group had its debt obligations at floating interest rates, in the opinion of the directors, the Group had no significant concentration of interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *HK$'000*
2014		
Hong Kong dollar	**100**	**(650)**
United States dollar ("US$")	**100**	**(774)**
Hong Kong dollar	**10**	**65**
US$	**10**	**77**
2013		
Hong Kong dollar	100	(650)
US$	100	(774)
Hong Kong dollar	10	65
US$	10	77

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units' functional currencies. Approximately 62% (2013: 77%) of the Group's purchases was denominated in currencies other than the functional currencies of the operating units making the purchases, whilst all sales are denominated in the units' functional currency.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$-RMB exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the equity of the Group.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	*HK$'000*
2014		
If RMB weakens against US$	**(3)**	**(13,092)**
If RMB strengthens against US$	**3**	**13,092**
2013		
If RMB weakens against US$	(1)	(4,228)
If RMB strengthens against US$	(3)	(12,685)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Further details of the credit policy and quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the financial statements.

The credit risk of the other financial assets, which comprise cash and bank balances, pledged bank balances and, bills and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As the Group's exposure spreads over a diversified portfolio of customers, there are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans.

The Group's policy is to regularly monitor its liquidity to ensure it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions and the immediate holding company to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the end of the respective reporting period, based on the contractual undiscounted payments, is as follows:

Group

2014

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	Total *HK$'000*
Trade payables	**31,192**	**66,526**	**–**	**97,718**
Other payables	**16,034**	**–**	**–**	**16,034**
Interest-bearing bank borrowings	**–**	**136,823**	**–**	**136,823**
Due to a PRC joint venture partner	**1,131**	**–**	**–**	**1,131**
Loans from the immediate holding company	**–**	**–**	**145,378**	**145,378**
	48,357	**203,349**	**145,378**	**397,084**

2013

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	Total *HK$'000*
Trade payables	18,268	31,418	–	49,686
Other payables	21,110	–	–	21,110
Interest-bearing bank borrowings	–	57,663	–	57,663
Due to a PRC joint venture partner	1,131	–	–	1,131
Loans from the immediate holding company	–	–	145,313	145,313
	40,509	89,081	145,313	274,903

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Company
2014

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Other payables	**307**	**–**	**–**	**307**
Loans from the immediate holding company	**–**	**–**	**89,277**	**89,277**
Guarantees given to banks in connection with facilities granted to a subsidiary	**136,823**	**–**	**–**	**136,823**
	137,130	**–**	**89,277**	**226,407**

2013

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Other payables	1,201	–	–	1,201
Loans from the immediate holding company	–	–	89,221	89,221
Guarantees given to banks in connection with facilities granted to a subsidiary	57,663	–	–	57,663
	58,864	–	89,221	148,085

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust return of capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total debt divided by the equity attributable to equity holders of the Company plus total debt. Total debt includes interest-bearing bank borrowings and loans from the immediate holding company. The gearing ratios as at the end of the respective reporting period were as follows:

	2014 *HK$'000*	2013 *HK$'000*
Interest-bearing bank borrowings	**135,838**	57,372
Loans from the immediate holding company	**142,379**	142,379
Total debt	**278,217**	199,751
Equity attributable to equity holders of the Company	**352,553**	352,812
Total debt and equity	**630,770**	552,563
Gearing ratio	**44%**	36%

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2015.

GDH
粵海制革有限公司
GUANGDONG TANNERY LIMITED