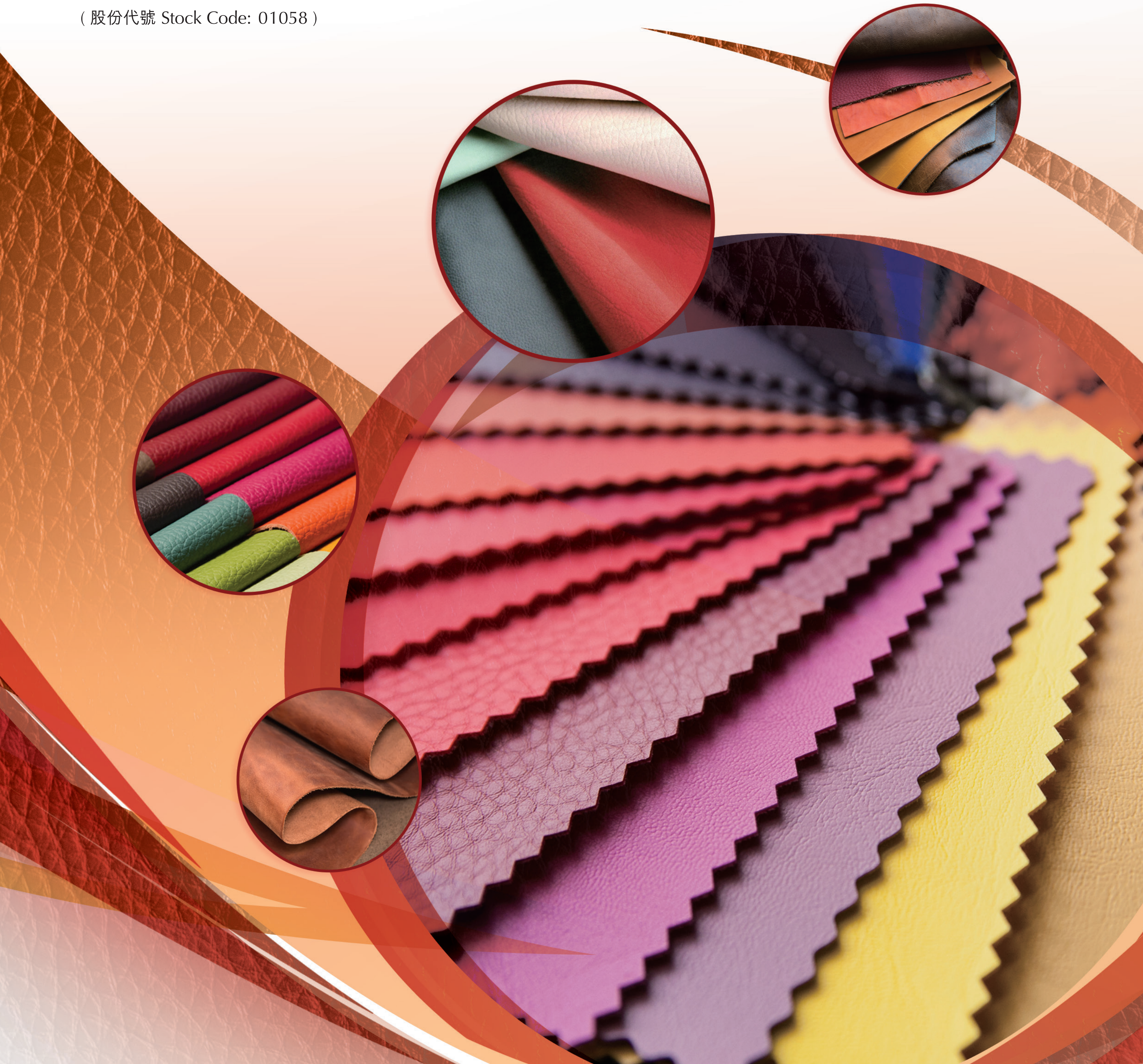
粵海制革

GUANGDONG TANNERY LIMITED

粵海制革有限公司

(股份代號 Stock Code: 01058)



2021 中期報告

INTERIM REPORT

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Corporate Information

As at 16 August 2021

BOARD OF DIRECTORS

Executive Directors

Kuang Hu *(Chairman)*
Sun Jun *(Managing Director)*

Non-Executive Directors

Ding Yatao
Qiao Jiankang

Independent Non-Executive Directors

Yeung Man Lee, *BBS, JP*
Leung Luen Cheong
Yang Ge

NOMINATION COMMITTEE

Kuang Hu *(Chairman)*
Yeung Man Lee
Leung Luen Cheong
Yang Ge

AUDIT COMMITTEE

Yang Ge *(Chairman)*
Yeung Man Lee
Leung Luen Cheong

REMUNERATION COMMITTEE

Leung Luen Cheong *(Chairman)*
Yeung Man Lee
Yang Ge

COMPANY SECRETARY

Chan Miu Ting

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

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

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Website	:	www.gdtann.com.hk

SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Customer Service Hotline: (852) 2980 1333

SHARE INFORMATION

Place of Listing	:	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	:	01058
Board Lot	:	2,000 shares
Financial Year End	:	31 December

Management Discussion and Analysis

RESULTS

The unaudited consolidated loss attributable to shareholders of Guangdong Tannery Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021 was HK$3,995,000, representing a decrease in loss of HK$5,636,000 or 58.5% from HK$9,631,000 for the corresponding period last year.

The unaudited net asset value of the Group as at 30 June 2021 was HK$26,264,000, representing an increase of HK$20,118,000 and a decrease of HK$1,680,000 as compared to the net asset value as at 30 June 2020 and 31 December 2020, respectively.

The board of directors of the Company (the "Board") resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

BUSINESS REVIEW

In the first half of 2021, with the promulgation of the national environmental protection policies and regulations as well as the implementation of phasing out outdated production capacity, competition in the leather industry intensified. Factors such as the continuous impact of the global pandemic, changes in the international trade environment and the increase in prices of bulk raw materials further tested the comprehensive strength and adaptability of leather manufacturers. During the period, the Group adhered to the direction of "Implementation of product strategy, optimization of production efficiency and upgrade of innovation" as its primary operation strategies. On the one hand, the Group strived to strengthen fundamental management and reduce costs by benchmarking against the industry and outstanding enterprises. On the other hand, it adopted the marketing strategy of "production and sales of all products" and actively scale-up the production capacity so as to improve the economies of scale and reduce the unit production cost. In addition, the Group actively expanded diversified and innovative business, enhanced the added value of its products, created new profit growing points and improved operating efficiency. During the period, driven by the decrease in unit cost of products and the increase in sales volume of cowhides products, the Group achieved a turnaround from gross loss to gross profit. Gross profit increased significantly, resulting in a substantial improvement in the operating results as compared to the corresponding period last year.

In terms of environmental protection, to cope with the environmental protection standards of the national and local governments, the environmental protection control became increasingly stringent. The regulations on solid waste pollution and pollutant discharge management have been fully implemented in the first half of 2021. In addition to improving techniques and increasing investment in environmental protection, the tannery industry was also required to specifically implement standard management. During the period, the Group implemented the reconstruction project of hazardous waste warehouses, set up smart terminals and video surveillance facilities, and strengthened the analysis and monitoring of various indicators of sewage stations. It also continuously monitored the biochemical system to prevent excessive emissions and ensure a safe and stable production environment.

During the period, the total production volume of cowhides was 6,749,000 sq. ft., representing an increase of 2,592,000 sq. ft. or 62.4% as compared to 4,157,000 sq. ft. for the same period last year. The production volume of grey hides was 2,936 tons, representing a decrease of 113 tons or 3.7% as compared to 3,049 tons for the same period last year. During the period, the total sales volume of cowhides was 7,316,000 sq. ft., representing an increase of 3,775,000 sq. ft. or 106.6% from 3,541,000 sq. ft. for the same period last year. The sales volume of grey hides was 2,936 tons, representing a decrease of 113 tons or 3.7% as compared to 3,049 tons for the same period last year.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (CONTINUED)

During the period, the consolidated turnover of the Group was HK$112,398,000, representing an increase of HK$56,747,000 or 102.0% from HK$55,651,000 for the corresponding period last year, of which the sales value of cowhides amounted to HK$100,497,000 (six months ended 30 June 2020: HK$45,780,000), representing an increase of 119.5%, and that of grey hides and other products amounted to HK$11,901,000 (six months ended 30 June 2020: HK$9,871,000), representing an increase of 20.6%. During the period, the Group took the initiative to call on its customers, focused on regional customers, and analyzed market trends and directions. It also entered into sales strategic agreements with customers, secured orders and seized market opportunities to clear inventory in a timely manner. During the period, both sales volume and turnover of the Group's footwear leather products increased significantly as compared with the same period last year.

In terms of sales, difficulties such as overcapacity and continuous emergence of new substitute material persisted. Coupled with changing consumer demand as well as increasing customers' desire for fashion design, variety, grades and quality, the tannery industry had to develop in a diversified, personalized, intelligent and green direction as a whole. During the period, the Group actively responded to market changes, timely adjusted sales strategies in response to the market demand, increased investment in research and development through multiple channels and highlighted product advantages. New products gained recognition from the customers, and the main products managed to take the lead in the market, which greatly enhanced the competitiveness of the Group.

In terms of purchasing, the Group is always aware of the impact of the economic situation and government policies on the tannery industry, actively kept track of price fluctuation of raw cowhides and exchange rate, strengthened research of market conditions, as well as structured its product mixture according to production, supply and marketing plans. During the period, the soaring price of imported raw cowhides coupled with the sharp increase in orders, the Group actively explored various channels for raw cowhides procurement and strived to reduce the procurement cost on the premise of profitability and cash flow safety. In addition, the price of chemicals increased throughout the period. In order to control the costs to a greater extent, while keeping the current unit price unchanged, the Group actively carried out strategic procurement of inventory to control the cost of chemicals. Total purchase volume in the first half of the year amounted to HK$102,157,000, representing an increase of 72.5% over the same period of last year.

BUSINESS REVIEW (CONTINUED)

As at 30 June 2021, the Group's consolidated inventory amounted to HK$89,838,000 (31 December 2020: HK$60,260,000), representing an increase of HK$29,578,000 or 49.1% as compared to that as at 31 December 2020. The Group continued to adhere to the business strategy of destocking and actively improved the sales and destocking rate of finished products through quality control over the whole production process, continuously monitoring of inventory costs and strengthening inventory control. During the period, on the one hand, the Group reasonably organized the production of leather sources based on the grading of leather sources and sorting standards. On the other hand, in response to the market demand, it strengthened research and development in technology, formulated production plans corresponding to finished goods based on the leather inventory structure, and actively monitored the product structure of inventory. It also conducted sales and destocking of the diversified inventory, converted slow-moving inventory into cash flow and ensured that the working capital needs met with its normal operation. The Group had reassessed the value of inventory based on its aging and net realizable value and made a reversal of net provision for inventory of HK$2,343,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$164,000).

As at 30 June 2021, the Group's property, plant and equipment amounted to HK$42,692,000 (31 December 2020: HK$42,871,000), representing a decrease of HK$179,000 or 0.4% as compared to that as at 31 December 2020. In view of the loss of the Group's operating results during the period, the recoverable amount of the plant and equipment was calculated by using value in use based on the discounted cash flow method and an impairment loss on plant and equipment of HK$3,595,000 was made for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$1,528,000).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to HK$23,756,000 (31 December 2020: HK$60,939,000), representing a decrease of HK$37,183,000 or 61.0% as compared to 31 December 2020, of which 10.1% were in Hong Kong dollars, 88.6% in Renminbi and 1.3% in United States dollars. Net cash outflow from operating activities for the period was HK$34,562,000, which was mainly attributable to the increase in net cash outflow from the increase in inventory. Net cash outflow from investing activities was HK$2,954,000, which was mainly attributable to the payment for renovations and purchase of machinery and equipment. Net cash outflow from financing activities was HK$218,000, which was mainly attributable to the payment of rental expenses.

As at 30 June 2021, the Group's total interest-bearing borrowings were HK$142,548,000 (31 December 2020: HK$386,000, which were United States dollar interest-bearing borrowings), of which HK$63,040,000 were Hong Kong dollar interest-bearing borrowings and HK$79,508,000 were United States dollar interest-bearing borrowings. The Group's borrowings mainly arose from: (1) short-term loans provided by a bank with a balance of HK$4,529,000, which were secured by bank deposits, buildings and leasehold land of HK$49,822,000; and (2) long-term unsecured borrowings from the immediate holding company with a balance of HK$138,019,000, which were charged at floating interest rates.

As at 30 June 2021, the Group's gearing ratio of interest-bearing borrowings to shareholders' equity plus interest-bearing borrowings was 84.4% (31 December 2020: 83.1%). The annual interest rate of the borrowings during the period was approximately 1.3% to 2.0%. During the period, the Group's interest expenses amounted to HK$1,364,000, representing a decrease of 47.3% as compared with the same period of last year, which was mainly due to the decrease in loan interest rates.

FINANCIAL REVIEW (CONTINUED)

Liquidity and Financial Resources (continued)

As at 30 June 2021, the Group had banking facilities and an unsecured loan facility from a fellow subsidiary (the "Facilities") of HK$72,108,000 in total (31 December 2020: Facilities of HK$71,292,000) with utilized banking facilities of HK$4,529,000 (31 December 2020: banking facilities HK$386,000) and unutilized Facilities of HK$67,579,000 (31 December 2020: Facilities of HK$70,906,000). Taking into account 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 30 June 2021, the net carrying amount of non-current assets including property, plant and equipment and right-of-use assets amounted to HK$55,256,000, representing a decrease of HK$196,000 over the net value of HK$55,452,000 as at 31 December 2020. The capital expenditure for the period amounted to HK$4,609,000 (six months ended 30 June 2020: HK$1,679,000) in total, which was mainly attributable to the payment of renovations as well as acquisition of machinery and equipment to meet the production needs of the Group.

Pledge of Assets

As at 30 June 2021, the Group's bank deposits of HK$970,000 (31 December 2020: HK$2,600,000), buildings of HK$37,241,000 (31 December 2020: HK$37,392,000) and leasehold land of HK$11,611,000 (31 December 2020: HK$11,629,000) were pledged to a bank to secure general banking facilities.

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

REMUNERATION POLICY FOR EMPLOYEES

As at 30 June 2021, the Group had 385 staff (31 December 2020: 392). The Group's remuneration policy is based on its operating results and the employees' performance. The Group has adopted a performance-based appraisal scheme for its employees and established an operation assessment mechanism focusing on "accountability and performance". Based on the Group's operating efficiency, the incentive scheme provides bonuses to the management, key officers and outstanding employees according to different ranking and individual performance, which effectively motivates employees to make contribution. In addition, the Group offered social and medical insurance coverage and pension schemes to all employees in different areas.

PROSPECTS

Since the beginning of 2021, bulk commodity prices have generally increased, and the tannery industry has been facing pressure of rising raw material costs such as cowhides and chemicals. Coupled with the resurgence of the pandemic in some regions in the Mainland China, the production and operation of leather processing enterprises in China are severely affected. In the second half of the year, the Group will continue to adhere to the direction of "Implementation of product strategy, optimization of production efficiency and upgrade of innovation" as its primary operation strategy, focus on strengthening asset turnover, inventory control and diversifying innovative businesses, and accelerate the realization of comprehensive turnaround as the core goal. The Group will actively strengthen its research and development in techniques and step up its efforts in developing high-end and high value-added products. In the meantime, the Group will strengthen its cost control, continue to expand its external processing business, enhance economies of scale, reduce costs and increase efficiency, and increase the selling prices of its products and the gross profit. In addition, it will continue to strengthen the identification and prediction of its key risks such as environmental protection, capital chain, safety, internal control, etc., and strengthen the normalized pandemic prevention and control to ensure its stable operation under the complex economic environment and strive to get a turnaround from loss to profit.

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 27, which comprises the condensed consolidated statement of financial position of Guangdong Tannery Limited (the "Company") and its subsidiaries as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

16 August 2021

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

		For the six months ended 30 June	
	Notes	**2021** ***HK$'000*** **(Unaudited)**	2020 *HK$'000* (Unaudited)
REVENUE	*4*	**112,398**	55,651
Cost of sales		**(98,979)**	(56,841)
Gross profit/(loss)		**13,419**	(1,190)
Other income and gains	*4*	**1,429**	804
Selling and distribution expenses		**(835)**	(757)
Administrative expenses		**(13,766)**	(9,443)
Other operating income, net		**824**	5,194
Impairment on items of plant and equipment		**(3,595)**	(1,528)
Finance costs	*5*	**(1,364)**	(2,588)
LOSS BEFORE TAX	*5*	**(3,888)**	(9,508)
Income tax expense	*6*	**(107)**	(123)
LOSS FOR THE PERIOD		**(3,995)**	(9,631)
LOSS PER SHARE	*7*		
— Basic		**HK (0.74) cents**	HK (1.79) cents
— Diluted		**HK (0.74) cents**	HK (1.79) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(3,995)**	(9,631)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to the profit or loss in subsequent periods:		
Surplus/(deficits) on revaluation of buildings	**445**	(378)
Income tax effect	**(111)**	95
	334	(283)
Other comprehensive income/(loss) that may be reclassified to the profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,981**	(3,628)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**2,315**	(3,911)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(1,680)**	(13,542)

Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**42,692**	42,871
Right-of-use assets		**12,564**	12,581
Total non-current assets		**55,256**	55,452
CURRENT ASSETS			
Inventories		**89,838**	60,260
Receivables, prepayments and deposits	*9*	**88,534**	72,277
Pledged bank balances		**970**	2,600
Cash and bank balances		**23,756**	60,939
Total current assets		**203,098**	196,076
CURRENT LIABILITIES			
Trade payables	*10*	**48,637**	43,754
Other payables and accruals		**11,569**	13,479
Interest-bearing bank borrowings	*11*	**4,529**	386
Due to a PRC joint venture partner		**1,131**	1,131
Provision		**3,833**	3,790
Tax payable		**74**	29
Total current liabilities		**69,773**	62,569
NET CURRENT ASSETS		**133,325**	133,507
TOTAL ASSETS LESS CURRENT LIABILITIES		**188,581**	188,959
NON-CURRENT LIABILITIES			
Loans from the immediate holding company	*11*	**138,019**	137,200
Other payables		**20,800**	20,428
Deferred tax liabilities		**3,498**	3,387
Total non-current liabilities		**162,317**	161,015
Net assets		**26,264**	27,944
EQUITY			
Share capital	*12*	**75,032**	75,032
Other reserves	*13*	**(48,768)**	(47,088)
Total equity		**26,264**	27,944

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital *HK$'000*	Equity component of convertible notes *HK$'000*	General reserve fund *HK$'000*	Reserve funds *HK$'000*	Capital 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 2020 (Audited)	75,032	5,545	167,746	20,054	4,642	63,193	8,496	419	(329,384)	15,743
Loss for the period	–	–	–	–	–	–	–	–	(9,631)	(9,631)
Other comprehensive loss for the period:										
Deficits on revaluation of buildings, net of tax	–	–	–	–	–	–	(283)	–	–	(283)
Exchange differences on translation of foreign operations	–	–	–	–	–	(3,628)	–	–	–	(3,628)
Total comprehensive loss for the period	–	–	–	–	–	(3,628)	(283)	–	(9,631)	(13,542)
Transfer from accumulated losses in accordance with the undertaking *(note 13(b))*	–	–	–	–	–	–	–	300	(300)	–
Capital contribution from the immediate holding company	–	–	–	–	3,945	–	–	–	–	3,945
At 30 June 2020 (Unaudited)	75,032	5,545	167,746	20,054	8,587	59,565	8,213	719	(339,315)	6,146
At 1 January 2021 (Audited)	**75,032**	**5,545***	**167,746***	**20,054***	**8,587***	**73,870***	**8,826***	**–***	**(331,716)***	**27,944**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,995)**	**(3,995)**
Other comprehensive income for the period:										
Surplus on revaluation of buildings, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**334**	**–**	**–**	**334**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**1,981**	**–**	**–**	**–**	**1,981**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**1,981**	**334**	**–**	**(3,995)**	**(1,680)**
At 30 June 2021 (Unaudited)	**75,032**	**5,545***	**167,746***	**20,054***	**8,587***	**75,851***	**9,160***	**–***	**(335,711)***	**26,264**

* These reserve accounts comprise the consolidated other reserves deficits of HK$48,768,000 (31 December 2020: HK$47,088,000) in the condensed consolidated statement of financial position as at 30 June 2021.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(3,888)**	(9,508)
Adjustments for:		
Finance costs	**1,364**	2,588
Finance income	**(71)**	(83)
Depreciation	**2,117**	1,186
Reversal of provision for inventories	**(2,343)**	(164)
Reversal of impairment of trade and other receivables	**(422)**	(706)
Impairment on items of plant and equipment	**3,595**	1,528
Impairment of right-of-use assets	**–**	107
Gain on derecognition of lease liabilities	**–**	(847)
Reversal of accruals and payables	**–**	(3,748)
	352	(9,647)
Increase in inventories	**(26,464)**	(10,770)
Decrease/(increase) in receivables, payments and deposits	**(14,963)**	8,355
Increase/(decrease) in trade payables	**4,375**	(9,353)
Decrease in other payables and accruals	**(1,841)**	(354)
Increase in interest-bearing bank borrowings	**4,127**	4,847
Cash used in operations	**(34,414)**	(16,922)
Interest received	**71**	83
Interest paid	**(151)**	(65)
PRC tax paid	**(68)**	(99)
Net cash flows used in operating activities	**(34,562)**	(17,003)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(4,609)**	(1,679)
Decrease/(increase) in pledged bank balances	**1,655**	(2,331)
Net cash flows used in investing activities	**(2,954)**	(4,010)
CASH FLOWS FROM A FINANCING ACTIVITY		
Principal portion of lease payments and net cash flows used in a financing activity	**(218)**	(432)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(37,734)**	(21,445)
Cash and cash equivalents at beginning of period	**60,939**	48,832
Effect of foreign exchange rate changes, net	**551**	(697)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**23,756**	26,690
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**23,756**	26,690

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1. ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are the same as those used in the annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretation) effective as at 1 January 2020. Except for amendment to HKFRS 16, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial information relating to the year ended 31 December 2020 that is included in this unaudited interim condensed financial information for the six months ended 30 June 2021 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for the year but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those consolidated financial statements for the year ended 31 December 2020. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing other borrowings denominated in Hong Kong dollars and United State Dollars based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of accumulated losses at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic.

The above amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

Information about major customers

The revenue from customers individually contributed over 10% of the consolidated revenue of the Group are as follows:

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**23,197**	7,425
Customer B	**20,705**	12,649
Customer C	**14,814**	6,143

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of processed leather	**112,398**	55,651

Revenue is recognised when goods are transferred at a point in time to customers.

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Finance income	**71**	83
Sale of scrap materials	**363**	230
Government grants	**688**	318
Income from subcontracted leather processing	**236**	169
Others	**71**	4
	1,429	804

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold*	**101,322**	57,005
Depreciation for items of plant and equipment	**1,956**	1,011
Depreciation for right-of-use assets	**161**	175
Impairment of right-of-use assets#	**—**	107
Gain on derecognition of lease liabilities#	**—**	(847)
Reversal of payables and accruals#	**—**	(3,748)
Interest on:		
Bank loans and discounting bills receivable to banks	**151**	64
Lease liabilities	**10**	41
Loans from the immediate holding company	**1,111**	2,483
Due to the immediate holding company	**92**	—
	1,364	2,588
Reversal of impairment of trade and other receivables#	**(422)**	(706)
Reversal of provision for inventories*	**(2,343)**	(164)

* These items are included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

\# These items are included in "Other operating income, net" on the face of the condensed consolidated statement of profit or loss.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2020: 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.

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Group – Mainland China		
Provision for the period	**107**	123

7. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the period of HK$3,995,000 (six months ended 30 June 2020: HK$9,631,000) and the weighted average number of ordinary shares of 538,019,000 (30 June 2020: 538,019,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2021 and 2020 in the calculation of diluted loss per share as there were no dilutive events during the periods ended 30 June 2021 and 2020.

8. DIVIDEND

The board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**47,154**	32,527
Bills receivable	**36,860**	38,440
Prepayments, deposits and other receivables	**4,520**	1,310
	88,534	72,277

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 60 days of issuance, except for certain well-established customers, where the terms are extended to 150 days. 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 and bills receivables approximate their fair values.

9. RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

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

	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
Current	83,046	70,458
Less than 3 months past due	983	1,074
More than 3 months past due	127	—
	84,156	71,532
Impairment	(142)	(565)
	84,014	70,967

10. TRADE PAYABLES

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

	30 June 2021 HK$'000 (Unaudited)	31 December 2020 HK$'000 (Audited)
Within 3 months	28,814	29,356
3 to 6 months	16,940	11,444
Over 6 months	2,883	2,954
	48,637	43,754

The trade payables of the Group are non-interest-bearing and are normally settled on terms of 90 days. The carrying amounts of trade payables approximate their fair values.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate (%)	Maturity	Amount HK$'000	Effective interest rate (%)	Maturity	Amount HK$'000
Current						
Trust receipt loans, secured	1.50-2.00	2021	4,529	1.50-4.20	2021	386
Non-current						
Loans from the immediate holding company	1.34-1.50	2023	138,019	1.34-1.96	2023	137,200
			142,548			137,586

As at 30 June 2021, trust receipt loans of HK$4,529,000 (31 December 2020: HK$386,000) were under facilities which were secured by (i) the pledge of certain of the Group's bank balances amounting to HK$970,000 (31 December 2020: HK$2,600,000); and (ii) the pledge of certain of the Group's buildings and leasehold land with an aggregate carrying amounts of HK$48,852,000 as at 30 June 2021 (31 December 2020: HK$49,021,000).

As at 30 June 2021, an unsecured loan facility of HK$36,054,000 (31 December 2020: HK$35,646,000) from a fellow subsidiary was not utilised.

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

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

Notes	**30 June 2021** ***HK$'000*** **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
(i)	**22,072**	21,980
(ii)	**63,040**	62,535
(iii)	**52,907**	52,685
	138,019	137,200

(i) The balance represents an unsecured loan from GDH of US$2,920,000 (31 December 2020: US$2,920,000), which bears interest at 3-month LIBOR + 1.17% per annum (31 December 2020: 3-month LIBOR + 1.17% per annum) and is repayable on 31 July 2023 (31 December 2020: repayable on 31 July 2023).

(ii) The balance represents an unsecured loan from GDH of HK$65,000,000 (31 December 2020: HK$65,000,000), which bears interest at 3-month HIBOR + 1.17% per annum (31 December 2020: 3-month HIBOR + 1.17% per annum) and is repayable on 31 July 2023 (31 December 2020: repayable on 31 July 2023).

(iii) The balance represents an unsecured loan from GDH of US$7,000,000 (31 December 2020: US$7,000,000), which bears interest at 3-month LIBOR + 1.17% per annum (31 December 2020: 3-month LIBOR + 1.17% per annum) and is repayable on 31 July 2023 (31 December 2020: repayable on 31 July 2023).

On 30 June 2020, the Group secured the agreement with GDH to waive interest charged on the loans balance from 1 January 2020 to 31 December 2020.

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

12. SHARE CAPITAL

Shares

	30 June 2021 ***HK$'000*** **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Issued and fully paid:		
538,019,000 (31 December 2020: 538,019,000) ordinary shares	**75,032**	75,032

13. RESERVES

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

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

On 25 November 1996, a court 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.

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

On 22 March 2011, the Court made an order (the "Order") confirming the Share Premium Reduction. An office copy of the Order was registered with the Registrar of Companies in Hong Kong on 29 March 2011 (the "Effective Date") in accordance with Section 61 of the Hong Kong 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.

13. RESERVES (CONTINUED)

(b) (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 the 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 Hong Kong Companies Ordinance (Chapter 622) 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 Hong Kong Companies Ordinance (Chapter 622), 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 a 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 assets as at 30 June 2010 less such amount (if any) as credited to the Special Capital Reserve as a result of such disposal or realisation; and

(4) in the event that the amount standing to the credit of the Special Capital Reserve exceeds the Limit thereof after any reduction of such Limit pursuant to provisions (2) and/or (3) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution.

During the six months ended 30 June 2020, a reversal of provision for impairment of HK$300,000 was made for the Assets. This resulted in a transfer of HK$300,000 from the accumulated losses to Special Capital Reserve.

The Limit as at 30 June 2021 was HK$150,273,970 (31 December 2020: HK$150,273,970) and the amount standing to the credit of the Group's Special Capital Reserve as at 30 June 2021 was nil (31 December 2020: Nil).

(c) 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.

(d) Capital reserve represents the capital contributions from the immediate holding company.

14. FAIR VALUE AND THE FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All financial assets of the Group, other than bills receivable, as at 30 June 2021 and 31 December 2020 are financial assets at amortised cost. Bills receivable as at 30 June 2021 and 31 December 2020 are financial assets at fair value through other comprehensive income.

All financial liabilities of the Group as at 30 June 2021 and 31 December 2020 are financial liabilities at amortised cost.

Management has assessed that the fair values of cash and bank balances, pledged bank balances, trade receivables, trade payables, financial assets included in receivables, prepayments and deposits, financial liabilities included in other payables and accruals, and an amount due to a PRC joint venture partner approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bills receivable, loans from the immediate holding company and non-current portion of other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for borrowings as at 30 June 2021 and 31 December 2020 was assessed to be insignificant.

The fair values of the financial assets and liabilities are included at the amounts of which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation date.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

14. FAIR VALUE AND THE FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Bills receivable	–	36,860	–	36,860

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Bills receivable	–	38,440	–	38,440

During the period ended 30 June 2021, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 of financial assets (31 December 2020: Nil).

15. COMMITMENTS

	30 June 2021 *HK$'000* (Unaudited)	31 December 2020 *HK$'000* (Audited)
Contracted, but not provided for:		
Buildings	143	21
Leasehold improvements	712	502
Plant and machinery	966	578
	1,821	1,101

16. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		For the six months ended 30 June	
	Notes	**2021** ***HK$'000*** **(Unaudited)**	2020 *HK$'000* (Unaudited)
Office rental paid to a fellow subsidiary	*(i)*	**–**	228
Computer system maintenance service fee paid to a fellow subsidiary	*(ii)*	**108**	108
Interest expense charged by the immediate holding company	*(iii)*	**1,203**	2,483

Notes:

(i) The office rental was charged by a fellow subsidiary at HK$44,500 per month from 1 January 2020 to 5 February 2020 and HK$46,000 per month from 6 February 2020 to 31 May 2020 in accordance with the terms of the rental agreement between the Group and a fellow subsidiary.

(ii) The fellow subsidiary charged maintenance service for the computer system used by the Group based on contractual terms.

(iii) The interest expense charged by the immediate holding company arose from the loans advanced from GDH. Further details of the loans, including the terms, are disclosed in note 11 to the condensed consolidated financial information.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

(i) Details of the loans from the immediate holding company as at the end of the reporting period are included in note 11 to the condensed consolidated financial information.

(ii) Included in other payables and accruals is accrued interest of HK$20,800,000 (31 December 2020: HK$20,417,000) due to the immediate holding company which is interest-free, unsecured, not repayable before 31 July 2023, and arose from loans from immediate holding company.

(c) Tenancy agreements with related parties

On 17 December 2019, the Group entered into another two-year office rental agreement with Global Head Developments Limited, a fellow subsidiary of the Group, commencing 6 February 2020 and ending 5 February 2022 with monthly rent of HK$46,000.

On 29 May 2020, the Group terminated the office rental agreement effective from 31 May 2020.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**456**	297
Post-employment benefits	**60**	86
Total compensation paid to key management personnel	**516**	383

17. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This unaudited interim condensed consolidated financial information was approved and authorised for issue by the Board on 16 August 2021.

Directors' Interests and Short Positions in Securities

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

INTERESTS AND SHORT POSITIONS IN THE COMPANY

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%

Note: The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of the Company in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, to the knowledge of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive are taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders' Interests

As at 30 June 2021, 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 (Guangdong Holdings Limited) *(Note 2)*	Interest in controlled corporation	383,820,000	Long position	71.34%
GDH Limited	Beneficial owner	383,820,000	Long position	71.34%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of the Company in issue as at 30 June 2021.

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 30 June 2021, 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) 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.

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

The Company had complied with the code provisions and, where appropriate, the applicable recommended best practices in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all the Directors of the Company, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee of the Company and Messrs. Ernst & Young, the independent auditor of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on the Hong Kong Stock Exchange during the six months ended 30 June 2021.

By Order of the Board
Kuang Hu
Chairman

Hong Kong, 16 August 2021

粵海制革

GUANGDONG TANNERY LIMITED
粵海制革有限公司