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GDH

粵海制革有限公司

GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1058)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of Guangdong Tannery Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 together with comparative figures. The interim financial information has not been audited, but has been reviewed by the Company's audit committee ("Audit Committee") and the auditors, Messrs. Ernst & Young.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
	Notes	**2011**	2010
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE			
Processing and sale of leather	*3*	**285,420**	265,571
Cost of sales		**(271,569)**	(229,850)
Gross profit		**13,851**	35,721
Other income and gains, net	*3*	**4,319**	7,464
Selling and distribution costs		**(994)**	(1,239)
Administrative expenses		**(11,113)**	(14,197)
Finance costs	*4*	**(2,405)**	(2,753)
PROFIT BEFORE TAX	*4*	**3,658**	24,996
Income tax expense	*5*	**(2,956)**	(7,718)
PROFIT FOR THE PERIOD		**702**	17,278
EARNINGS PER SHARE	*6*		
- Basic		**HK0.13 cent**	HK3.21cents
- Diluted		**HK0.13 cent**	HK3.21cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**702**	17,278
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Exchange differences on translation of foreign operations	**10,423**	4,078
Surplus on revaluation of buildings	**47**	298
Deferred tax	**(12)**	(75)
	35	223
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**10,458**	4,301
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**11,160**	21,579

CONDENSED CONSOLIDATED BALANCE SHEET
30 JUNE 2011

	Notes	**30 June 2011** **HK$'000** **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**108,342**	103,519
Prepaid land lease payments		**8,232**	8,133
Total non-current assets		**116,574**	111,652
CURRENT ASSETS			
Inventories		**158,234**	151,878
Receivables, prepayments and deposits	*8*	**228,137**	168,121
Tax recoverable		**1,271**	514
Pledged deposits		**16,605**	32,314
Restricted bank balances		**8,418**	8,226
Cash and cash equivalents		**63,919**	107,718
Total current assets		**476,584**	468,771
CURRENT LIABILITIES			
Trade payables	*9*	**50,500**	46,539
Other payables and accruals		**49,901**	43,777
Interest-bearing bank borrowings		**27,277**	39,011
Due to a PRC joint venture partner		**1,131**	1,131
Loans from the immediate holding company		**-**	87,779
Loan from a fellow subsidiary		**54,600**	-
Provision		**3,835**	3,748
Tax payable		**2,320**	-
Total current liabilities		**189,564**	221,985
NET CURRENT ASSETS		**287,020**	246,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**403,594**	358,438
NON-CURRENT LIABILITIES			
Loans from the immediate holding company		**87,779**	-
Loan from a fellow subsidiary		**-**	54,600
Deferred tax liabilities		**650**	717
Total non-current liabilities		**88,429**	55,317
Net assets		**315,165**	303,121
EQUITY			
Issued capital		**53,802**	53,762
Reserves		**261,363**	249,359
Total equity		**315,165**	303,121

Notes:

(1) ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial information is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are the same as those used in the annual financial statements for the year ended 31 December 2010.

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

The adoption of these new and revised HKFRSs has had no significant financial effect on this unaudited interim condensed consolidated financial information and there have been no significant changes to the accounting policies applied.

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 (Revised)	*Presentation of Financial Statements* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Taxes: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]

HKAS 31	*Interests in Joint Ventures* [4]
HK(SIC) – Int 12	*Consolidation – Special Purpose Entities* [4]
HK(SIC) – Int 13	*Jointly Controlled Entities – Non-Monetary Contributions by Venturers* [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013

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

(2) OPERATING SEGMENT INFORMATION

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

Information about a major customer

During the period, revenue of approximately HK$47,924,000 (2010: HK$46,059,000) was derived from sales to a single customer, which contributed approximately 17% (2010: 15%) of the total revenue.

(3) REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Processing and sale of leather	**285,420**	265,571
Other income and gains, net		
Gross rental income	**81**	183
Interest income	**726**	529
Foreign exchange gains, net	**1,019**	-
Sale of scrap materials	**1,250**	910
Government subsidies	**30**	3,347
Gain on disposal of an investment property	**-**	1,570
Others	**1,213**	925
	4,319	7,464

(4) PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**275,314**	235,512
Depreciation	**3,871**	4,034
Interest on:		
Bank loans and discounted bills	**882**	-
Convertible notes	**-**	2,093
Loans from the immediate holding company	**891**	146
Loan from a fellow subsidiary	**632**	486
Others	**-**	28
	2,405	2,753
Write-back of provision for inventories	**(3,745)**	(5,362)
Impairment/(write-back of impairment) for trade and other receivables	**(573)**	1,797

(5) INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates.

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Group:		
Current - Mainland China	**3,035**	7,720
Deferred	**(79)**	(2)
Total tax charge for the period	**2,956**	7,718

(6) EARNINGS PER SHARE

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

The calculation of diluted earnings per share amounts is based on the profit for the period, adjusted to reflect the interest on the convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2010 in respect of a dilution as the impact of the convertible notes outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period, used in the basic earnings per share calculations	**702**	17,278

	Number of shares	
	30 June	30 June
	2011	2010
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	**537,637,000**	537,619,000
Effect of dilution-weighted average number of ordinary shares: share option	**1,461,000**	N/A
	539,098,000	N/A

(7) DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

(8) RECEIVABLES, PREPAYMENTS AND DEPOSITS

As at 30 June 2011, included in the Group's receivables, prepayments and deposits are trade and bills receivables with a net balance of HK$221,998,000 (31 December 2010: HK$161,109,000) 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 for 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. Trade receivables are non-interest-bearing.

As at 30 June 2011, the aged analysis of the Group's trade and bills receivables, based on the payment due date, is as follows:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**219,929**	160,771
Less than 3 months	**1,836**	902
3 to 6 months	**255**	115
Over 6 months	**478**	375
	222,498	162,163
Impairment	**(500)**	(1,054)
	221,998	161,109

(9) TRADE PAYABLES

As at 30 June 2011, the aged analysis of the Group's trade payables, based on the payment due date, is as follows:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**31,772**	23,481
3 to 6 months	**13,365**	18,691
Over 6 months	**5,363**	4,367
	50,500	46,539

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

BUSINESS AND FINANCIAL REVIEW

Results

The unaudited consolidated profit attributable to shareholders for the six months ended 30 June 2011 of the Group was HK$702,000, representing a decrease of HK$16,576,000 or 95.9% as compared to HK$17,278,000 for the same period of last year.

The unaudited net asset value of the Group as at 30 June 2011 was HK$315,165,000, representing an increase of HK$12,499,000 and HK$12,044,000 as compared to the net asset value as at 30 June 2010 and 31 December 2010, respectively.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

Business Review

With the European sovereign debt crisis not showing significant improvement yet, together with the implementation of macroeconomic policies targeted at curbing inflation in the PRC, both the survival and development of enterprises in the light industry and of small to medium sizes were impacted. High commodity prices, continuously increasing raw materials prices and the consistent shrink of the sales market of leather products in Mainland China, have all struck the normal production and sales cycles of the leather industry and increased the operational risks of the enterprise. During the period, the Group closely monitored the macroeconomic trend both within and outside Mainland China, attentively followed the industry development trend and stringently controlled the procurement and production cycles, implemented comprehensive budget control and focused on technical enhancement. As a result, it was able to survive the difficult sale low season in the first half of the year.

During the period, the production volume of cowhides was 13,263,000 sq. ft., representing a decrease of 1,325,000 sq. ft. or 9.1% as compared to 14,588,000 sq. ft. for the same period of last year. The production volume of grey hides was 6,855 tons, representing a decrease of 131 tons or 1.9% as compared to 6,986 tons for the same period of last year.

During the period, the consolidated turnover of the Group was HK$285,420,000, representing an increase of HK$19,849,000 or 7.5% from HK$265,571,000 for the same period of last year, which was mainly attributable to the increase in the unit selling price of cowhides. Of which: the sales value of cowhides amounted to HK$248,721,000 (2010: HK$237,409,000), representing an increase of 4.8%; and the sales value of grey hides and other products amounted to HK$36,699,000 (2010: HK$28,162,000), representing an increase of 30.3%. The overall sales market of footwear hides during the first half of 2011 underperformed, whereas the external market was subject to significant decline in the order amount due to weak economies among European and American countries and substantial increase in the domestic raw materials prices. Sales orders continued to concentrate on manufacturers possessing brand names, large scale and sales network. Underpinning the asymmetrical changes of the end user market in which an unfavourable situation of increase in raw materials cost outrunning increase in overall sales price was formed, the Group actively analysed customer tendency, identified focal markets and focal customers, launched mass production of new products, strengthened the strategic cooperation relationship with business partners and established a steady sales network for the Group. These not only allowed the gradual escalation of product prices, but also motivated forward-looking cowhides procurement and established a secured cowhides inventory, which in turn mitigated the negative impact induced by significant increase in raw materials price during the first half of the year. More importantly, production during the low season was stabilised.

Addressing the issues of high raw materials cost and low added value of tannery products, the Group closely observed the situation in both the international and domestic economies. The dynamics of the imported cowhides and chemical material markets were closely monitored, with special attention paid to the price movement trends of both materials. In respond to the fierce inflation both domestically and internationally, the Group continued to uphold a replenishment-based and balanced procurement approach primarily aimed at stabilising production requirements, and successfully minimised the impact of high hide prices on the production and operational efficiency through maintaining sufficient inventory while averting the risk of procurement at high price levels. During the period, total purchases amounted to HK$270,578,000, approximated to that of last year.

As at 30 June 2011, the consolidated inventories of the Group amounted to HK$158,234,000 (31 December 2010: HK$151,878,000), representing an increase of HK$6,356,000 or 4.2% as compared to the same as at 31 December 2010. This was primarily attributable to the increases in purchase price of hides. During the period, the Group fully strived for upgrade of its production technology, skill and equipment. Taking the development of new products as an opening, the Group upgraded its overall product system and realised a double directional breakthrough in terms of leather yield and product style. In addition, during the period of high hide prices, additional efforts were devoted in the processing of obsolete inventories with the production refined and adapted to the characteristics of the finished leather was conducted to effectively clear the long-aging inventories. Inventories over a year fell from 17.1% of the total inventories at the end of 2010 to 13.2% as at 30 June 2011, further optimising the inventory composition.

On 1 February 2011, the reduction of the credit standing to the share premium account of the Company to the extent of HK$393,345,845, and the application of the credit arising from such reduction to eliminate the accumulated losses by the same amount (the "Share Premium Reduction") were passed by shareholders at the extraordinary general meeting. The purpose of the Share Premium Reduction is to bring the Company to a position that might permit the payment of dividends in the future if and when allowed by the Company's financial position and considered appropriate by the Board. The Share Premium Reduction was confirmed by an order made by the High Court of Hong Kong on 22 March 2011 and took effect on 29 March 2011.

Financial Review

As at 30 June 2011, the Group's cash and cash equivalents amounted to HK$63,919,000 (31 December 2010: HK$107,718,000), representing a decrease of HK$43,799,000 or 40.7% as compared to the same as at 31 December 2010, which were denominated in Hong Kong dollars (13.4%), Renminbi (82.1%) and United States dollars (4.5%) respectively. During the period, net cash outflow from operating activities was HK$55,706,000, which was mainly attributable to the increase in cash outflow as a result of increase in trade and bills receivables. The cash inflow from investing activities was HK$9,910,000, which mainly represented the decrease in pledged bank deposits.

As at 30 June 2011, the Group's interest-bearing borrowings amounted to HK$169,656,000 (31 December 2010: HK$181,390,000), of which interest-bearing borrowings in Hong Kong dollars amounted to HK$65,000,000 and interest-bearing borrowings in United States dollars amounted to HK$104,656,000. The Group's borrowings mainly consisted of: (1) balances of short-term loans provided by the bank of HK$27,277,000, which were secured by bank deposits of RMB4,783,000; (2) balances of short-term unsecured intra-group borrowings of HK$54,600,000; and (3) balances of long-term unsecured intra-group borrowings of HK$87,779,000. The above interest-bearing borrowings were charged at floating interest rates.

As at 30 June 2011, the Group's gearing ratio of the interest-bearing borrowings to adjusted capital (including shareholders' equity) plus interest-bearing borrowings was 35.0% (31 December 2010: 37.4%). During the period, the annual interest rate of the borrowings was approximately 1.3% to 3.3%. Of the Group's total borrowings, all were repayable within one year except for the loan from an immediate holding company amounting to HK$87,779,000. The Group's interest expenses for the period amounted to HK$2,405,000, representing a decrease of 12.6% from the same period of last year.

As at 30 June 2011, the total banking facilities of the Group was HK$361,111,000 (31 December 2010: HK$135,148,000), of which banking facilities of HK$27,277,000 were utilised and banking facilities of HK$333,834,000 were unutilised. Taking into account of the existing cash resources and available credit facilities as well as the cash flow generated by the Group's operating businesses, the Group had adequate financial resources to meet its day-to-day operational requirements.

Capital Expenditure

As at 30 June 2011, the net value of non-current assets including prepaid land lease payments, property, plant and equipment amounted to HK$116,574,000, representing an increase of HK$4,922,000 over the net value as at 31 December 2010 of HK$111,652,000. The capital expenditure for the period amounted to HK$6,825,000 (2010: HK$2,968,000), which mainly represented the payment for the construction works and the acquisition of machinery and equipment for the new project to cater for the production and development requirements of the Group.

Pledge of Assets

As at 30 June 2011, certain of the Group's bank balances with a total of HK$16,605,000 (31 December 2010: HK$32,314,000) were pledged to secure general banking facilities granted to the Group.

Risk of Exchange Rate

The assets, liabilities and transactions of the Group are basically denominated in Hong Kong dollars, United States dollars or Renminbi. During the period, the exchange rates of Hong Kong dollars and United States dollars were relatively stable without causing any material risk of foreign exchange; as to the appreciation of Renminbi, since the sales of the Group were settled in Renminbi, whereas the purchases were made in Renminbi and United States dollars, the Group did not have material exposure to foreign exchange risk.

Remuneration Policy for Employees

As at 30 June 2011, a total of 886 employees (30 June 2010: 926) were employed by the Group. The remuneration policy is based on the Group's operating results and the employees’ performance. The Group has adopted a performance-based appraisal scheme for its employees focusing on "accountability and performance". The incentive bonuses to the management, key officers and staff with outstanding performance under the incentive scheme are determined by reference to the Group's operating net cash flow and profit after tax, calculated by various profit rankings and by applying a measure that links bonuses with the operating results of the Group and further taking into account of the individual performance of the staff concerned with an aim to motivate the contribution of its employees. In addition, the Group offered social and medical insurance and provident fund to all employees in different areas. The Company has adopted a new share option scheme in November 2008, with the purpose to provide incentives to the senior management to contribute to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Prospects

Under the complicated and changing environment in which inflation and deflation co-exist, it is expected that the operation outlook in the tannery industry during the second half of 2011 will not be optimistic. Under the sluggish market and the continuously increasing hide prices, the Group will be subject to increased operating pressures. Facing the difficult operating environment, the Group will continue to adhere to a cautious approach in implementing steady and sound operating concepts and enterprise development strategies to uphold the principle of "comprehensive rationalisation of all production/operation relationships for the practical expansion of development foundation". As such, the Group will closely monitor the market trends, stringently implement cost control, research and develop new products, optimise product structure and reinforce brand building. Meanwhile, the Group will continue to step up the environmental protective and safe production management efforts, with the objectives of implementing "people-oriented" corporate governance and strengthening internal production management, which will in turn ensure the sustainable development of the enterprise.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2011.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

Audit Committee

The Company established Audit Committee in September 1998 and its terms of reference are in line with the CG Code. The Audit Committee comprises three independent non-executive directors, Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat. Mr. Fung Lak is the Chairman of the Audit Committee. The principal duties of the Audit Committee include, inter alia, the review of the completeness, accuracy and fairness of the Company's financial reports and the Group's internal controls and risk management systems.

Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") in June 2005 and its terms of reference are in line with the CG Code. The Remuneration Committee comprises three independent non-executive directors, 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. The principal duties of the Remuneration Committee include, inter alia, making recommendations to the Board relating to the Company's policy for directors' and senior management's remuneration, determining the executive directors' and senior management's remuneration packages, reviewing and approving their performance-based remuneration and compensation payable for their loss of offices.

Nomination Committee

The Company established a nomination committee ("Nomination Committee") in June 2005 and its terms of reference are in line with the CG Code. The Nomination Committee comprises one executive director, Mr. Chen Hong, and three independent non-executive directors, Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat. Mr. Chen Hong is the Chairman of the Nomination Committee. The principal duties of the Nomination Committee include, inter alia, nominating and recommending candidates to fill vacancies on the Board.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim financial statements of the Group and the interim report of the Company for the six months ended 30 June 2011. In addition, the Company's auditors, Messrs. Ernst & Young, have also reviewed the aforesaid unaudited interim financial statements.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

By order of the Board
Chen Hong
Chairman

Hong Kong, 26 August 2011

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Chen Hong and Mr. Sun Jun; three Non-Executive Directors, namely Mr. Xiong Guangyang, Mrs. Ho Lam Lai Ping, Theresa and Mr. Qiao Jiankang; and three Independent Non-Executive Directors, namely Mr. Fung Lak, Mr. Choi Kam Fai, Thomas and Mr. Chan Cheong Tat.