

Interim Report
2008/09



G-Vision International (Holdings) Limited
環科國際集團有限公司

Stock code : 657

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Cheng Hop Fai
(Chairman and Managing Director)
Cheng Kwok Kwan Yuk
Cheng Pak Ming, Judy
Cheng Pak Man, Anita
Zhang Yunkun

Independent Non-executive Directors

Kan Lai Kuen, Alice
Law Toe Ming
Mark Yiu Tong, William

COMPANY SECRETARY

Cheng Pak Ming, Judy

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Fubon Bank (Hong Kong) Limited

AUDITORS

Deloitte Touche Tohmatsu

HONG KONG LEGAL ADVISERS

Jones Day

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

Units 101-108, 1st Floor
East Ocean Centre
98 Granville Road
Tsimshatsui East
Kowloon
Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fund Services (Bermuda)
Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH REGISTRAR

Computershare Hong Kong Investor
Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.g-vision.com.hk

The Board of Directors of G-Vision International (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008. The interim results have been reviewed by Deloitte Touche Tohmatsu and the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	1.4.2008 to 30.9.2008 HK\$’000 (unaudited)	1.4.2007 to 30.9.2007 HK\$’000 (unaudited)
Turnover	3	47,063	47,926
Other income		592	416
Cost of inventories consumed		(18,708)	(19,051)
Staff costs		(15,546)	(15,217)
Operating lease rentals		(7,760)	(7,356)
Decrease in fair value of investment properties		(4,850)	–
Depreciation		(88)	(625)
Other operating expenses		(9,451)	(7,636)
Finance costs		(212)	(447)
		<hr/>	<hr/>
Loss for the period	4	(8,960)	(1,990)
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		(7,608)	(1,985)
Minority interests		(1,352)	(5)
		<hr/>	<hr/>
		(8,960)	(1,990)
		<hr/>	<hr/>
Loss per share			
Basic	6	(HK1.57 cent)	(HK0.41 cent)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Notes	30.9.2008 HK\$'000 (unaudited)	31.3.2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	1,255	1,343
Investment properties	8	54,940	59,790
		56,195	61,133
Current assets			
Inventories		2,920	4,061
Trade and other receivables	9	6,618	6,581
Taxation recoverable		67	67
Pledged bank deposits		990	979
Bank balances and cash		15,933	17,057
		26,528	28,745
Current liabilities			
Trade and other payables	10	10,360	9,697
Amounts due to directors		14,025	12,750
Amounts due to minority shareholders		295	290
		24,680	22,737
Net current assets		1,848	6,008
Total assets less current liabilities		58,043	67,141
Non-current liabilities			
Loans from a related company	11	21,771	21,559
		36,272	45,582
Capital and reserves			
Share capital		48,485	48,485
Reserves		(27,987)	(20,029)
Equity attributable to equity holders of the Company		20,498	28,456
Minority interests		15,774	17,126
Total equity		36,272	45,582

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2007	48,485	90,676	84,123	535	(612)	(195,826)	27,381	16,068	43,449
Exchange differences arising from translation of foreign operations, representing net expense recognised directly in equity	-	-	-	-	(787)	-	(787)	-	(787)
Profit for the year	-	-	-	-	-	633	633	1,058	1,691
Total recognised (expense) income for the year	-	-	-	-	(787)	633	(154)	1,058	904
Share options granted during the year	-	-	-	1,229	-	-	1,229	-	1,229
At 31 March 2008 and 1 April 2008	48,485	90,676	84,123	1,764	(1,399)	(195,193)	28,456	17,126	45,582
Exchange differences arising from translation of foreign operations, representing net expense recognised directly in equity	-	-	-	-	(350)	-	(350)	-	(350)
Loss for the period	-	-	-	-	-	(7,608)	(7,608)	(1,352)	(8,960)
Total recognised expense for the period	-	-	-	-	(350)	(7,608)	(7,958)	(1,352)	(9,310)
At 30 September 2008	48,485	90,676	84,123	1,764	(1,749)	(202,801)	20,498	15,774	36,272
At 1 April 2007	48,485	90,676	84,123	535	(612)	(195,826)	27,381	16,068	43,449
Exchange differences arising from translation of foreign operations, representing net expense recognised directly in equity	-	-	-	-	(179)	-	(179)	-	(179)
Loss for the period	-	-	-	-	-	(1,985)	(1,985)	(5)	(1,990)
Total recognised expense for the period	-	-	-	-	(179)	(1,985)	(2,164)	(5)	(2,169)
At 30 September 2007	48,485	90,676	84,123	535	(791)	(197,811)	25,217	16,063	41,280

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	1.4.2008 to 30.9.2008 HK\$'000 (unaudited)	1.4.2007 to 30.9.2007 HK\$'000 (unaudited)
Net cash used in operating activities	(1,416)	(346)
Net cash from investing activities	292	94
Net decrease in cash and cash equivalents	(1,124)	(252)
Cash and cash equivalents at beginning of the period	17,057	14,128
Cash and cash equivalents at end of the period	15,933	13,876

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standard ("HKFRSs"), amendment of Hong Kong Accounting Standard ("HKAS") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2008. The adoption of the new HKFRSs had no material effect on the results and financial position for the current and prior accounting periods. Accordingly, no prior period adjustment is required.

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 13	Customer loyalty programmes ³
HK(IFRIC) – INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁴

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 2008.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The adoption of HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three main operating divisions – restaurant operations, environmental friendly paper tableware and property investment. These divisions are the basis on which the Group reports its primary segment information.

	Restaurant operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2008				
TURNOVER				
External	44,335	2,728	-	47,063
SEGMENT RESULT				
	(2,702)	(1,239)	(4,867)	(8,808)
Unallocated corporate expenses				(40)
Interest income				100
Finance costs				(212)
Loss for the period				(8,960)

3. SEGMENT INFORMATION (continued)

Business segments (continued)

	Restaurant operations HK\$'000	Environmental friendly paper tableware HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended 30 September 2007				
TURNOVER				
External	44,479	3,447	–	47,926
SEGMENT RESULT	(1,467)	(202)	(19)	(1,688)
Unallocated corporate expenses				(35)
Interest income				180
Finance costs				(447)
Loss for the period				(1,990)

4. LOSS FOR THE PERIOD

	1.4.2008 to 30.9.2008 HK\$'000	1.4.2007 to 30.9.2007 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation	88	625
Interest income	(100)	(180)

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as either the Company and its subsidiaries did not have assessable profit for the period or the assessable profit has been wholly absorbed by tax losses brought forward.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the period of HK\$7,608,000 (six months ended 30 September 2007: HK\$1,985,000) and on the 484,853,527 shares (six months ended 30 September 2007: 484,853,527 shares) in issue during the period.

No diluted loss per share is presented for both periods because the assumed exercise of the Company's share options would result in a decrease in loss per share.

7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, there were no additions to property, plant and equipment (six months ended 30 September 2007: HK\$45,000).

8. INVESTMENT PROPERTIES

The fair value of the Group's investment properties was determined based on valuation carried out at 30 September 2008 by professional valuers. A decrease in fair value of HK\$4,850,000 was recognised on the Group's investment properties for the period ended 30 September 2008.

The investment properties were vacant during the current period.

9. TRADE AND OTHER RECEIVABLES

Most of the restaurant customers settle in cash and credit cards. The Group allows an average credit period of 60 days to other trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2008 HK\$'000	31.3.2008 HK\$'000
0 – 60 days	973	1,573
61 – 90 days	13	20
More than 90 days	26	26
	<u>1,012</u>	<u>1,619</u>

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2008 HK\$'000	31.3.2008 HK\$'000
0 – 60 days	3,234	2,697
More than 60 days	1,140	1,085
	<u>4,374</u>	<u>3,782</u>

11. LOANS FROM A RELATED COMPANY

	30.9.2008 HK\$'000	31.3.2008 HK\$'000
Principal	18,804	18,804
Accrued interest	2,967	2,755
	21,771	21,559

The loans are borrowed from Hover City Industrial Limited ("Hover City"). The loans are unsecured, bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and are repayable in one lump sum (including accrued interest) by 31 December 2010.

Certain directors who are also the key management personnel of the Company are beneficially interested in Hover City.

12. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group leased certain premises for its restaurant operations from Homley Development Limited ("Homley"). Rentals charged by Homley during the period amounted to HK\$1,770,000 (six months ended 30 September 2007: HK\$1,620,000). At 30 September 2008, rental deposit payable to Homley amounted to HK\$900,000 (31 March 2008: HK\$810,000) and was included in trade and other payables. The monthly rental was determined by both parties with reference to market rent.

Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita, are beneficially interested in Homley.

- (b) During the period, the Group leased certain residential premises from Hover City. Rental charged by Hover City during the period amounted to HK\$390,000 (six months ended 30 September 2007: HK\$348,000). At 30 September 2008, rental deposit paid to Hover City amounted to HK\$130,000 (31 March 2008: HK\$116,000) and was included in trade and other receivables. The monthly rental was determined by both parties with reference to market rent.
- (c) On 25 April 2003, the Group entered into a loan agreement with Hover City for a loan facility of HK\$10,000,000 offered to the Group by Hover City. The sum drawn down by the Group will bear interest at 3% below the best lending rate quoted by a bank in Hong Kong and shall be repaid in one lump sum (including accrued interest) by 24 April 2005. On 9 July 2004, the Group renewed the terms of the loan agreement with Hover City and the loan facility was extended to HK\$15,000,000 and the final repayment date to 30 June 2006. On 7 January 2005, the loan facility was further extended to HK\$25,000,000 and the final repayment date to 31 December 2006. On 7 March 2006, the final repayment date was further extended to 31 December 2008. On 7 March 2008, the final repayment dates was further extended to 31 December 2010. Interest expense charged to the condensed consolidated income statement during the period amounted to HK\$212,000 (six months ended 30 September 2007: HK\$447,000) (also see note 11).
- (d) The remuneration of the Company's directors and other members of key management during the period amounted to HK\$1,941,000 (six months ended 30 September 2007: HK\$1,899,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2008, the Group recorded a consolidated turnover of HK\$47 million, representing a decrease of HK\$0.9 million or 1.8% compared to the last corresponding period. The decrease was mainly attributable to decreased sales for the Group's environmental friendly paper tableware business.

The net loss for the period under review was HK\$9 million compared to the net loss of HK\$2 million for the last corresponding period. The deterioration in the overall results was mainly due to HK\$4.9 million impairment loss on the fair value of the Group's investment properties and HK\$1.3 million impairment costs recorded for the write-off of obsolete stocks for the environmental friendly paper tableware business.

Review of Operations

The Group's restaurant operation in Hong Kong continues to provide a stable source of revenue and remains the largest contributor to turnover, generating 94.2% of the Group's turnover for the period under review. The segment turnover was HK\$44.3 million, declined slightly from last year's turnover of HK\$44.5 million. Profit margin maintained at last year's level but segment loss escalated by HK\$1.2 million to HK\$2.7 million as a result of HK\$0.4 million increase in rental costs, HK\$0.4 million increase in staff costs and higher administrative expenses.

The Group's environmental friendly paper tableware segment recorded a turnover of HK\$2.7 million, a decrease compared to the last corresponding period's turnover of HK\$3.4 million. In view of the persistent unsatisfactory performance of this segment, the management will consider to scale down its operation in the PRC to further lower its plant operating costs. Obsolete stocks were written off or fully provided for which resulted in impairment costs of HK\$1.3 million being recorded.

Liquidity and Financial Resources

The Group's cash and bank balances (including pledged bank deposits) amounted to HK\$16.9 million as at 30 September 2008. As the Group had no bank borrowings, the Group's gearing ratio was zero as at 30 September 2008 and 31 March 2008.

The Group has obtained loan facilities from a related company, Hover City Industrial Limited, which bear interest at 3% below the best lending rate quoted by a bank in Hong Kong. As at 30 September 2008, the sum drawn down by the Group was HK\$18.8 million (31 March 2008: HK\$18.8 million), with accrued interests of HK\$3.0 million (31 March 2008: HK\$2.8 million). The loans are repayable in one lump sum (including accrued interests) by 31 December 2010.

With the cash generated from the Group's operation in its ordinary course of business and the existing unutilised loan facilities, the directors consider that the Group has sufficient working capital for its operation.

Foreign Exchange Exposure

As most of our sales, purchases, cash and bank balances were denominated in Hong Kong dollars during the period, the Group was not exposed to material foreign exchange risks.

Employees and Remuneration Policies

At 30 September 2008, the Group had around 200 staff. Review of the employees' remuneration packages is normally conducted annually and as required from time to time. The salary and benefit levels of the Group's employees are competitive and individual performance is rewarded through the Group's bonus scheme. Other benefits including medical coverage and Mandatory Provident Fund Scheme are also provided to employees.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2008 (for the six months ended 30 September 2007: Nil).

PROSPECTS

The deepening of the global financial crisis and the current unfavourable economic environment are expected to lower corporate and consumer expenditures and will have an adverse impact on the food and beverage industry. Amid the challenging operating environment, the Group will adopt a cautious approach in committing further capital expenditure and will implement appropriate costs control programs where necessary. For the environmental friendly paper tableware business, the Group will further scale down its operation in the PRC to reduce its plant's fixed costs in consideration of the operation's continuing unfavourable performance. The Group reviews and revises its business strategies on a regular basis with the aim to better position itself to meet the challenges ahead and to capture any new opportunities as they arise.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), which was adopted on 22 August 2002 for the primary purpose of enabling the Company to grant options to employees, directors, consultants, advisers and/or agents of the Company or any of its subsidiaries as incentives or rewards for their contribution to the Company or such subsidiaries, will expire on 21 August 2012.

At 30 September 2008, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 29,091,210 shares, representing 6% of the shares of the Company in issue at that date. A summary of the said share options is set out below:

Participants	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				Outstanding as at 1.4.2008	Granted during the period	Lapsed during the period	Outstanding as at 30.9.2008
Directors	12.05.2005	12.05.2005 – 12.5.2011	0.10	19,394,140	–	–	19,394,140
Directors	03.03.2008	03.03.2008 – 03.03.2014	0.66	4,848,535	–	–	4,848,535
Employees	12.05.2005	12.05.2005 – 12.05.2011	0.10	4,848,535	–	–	4,848,535
				<u>29,091,210</u>	<u>–</u>	<u>–</u>	<u>29,091,210</u>

Note: Details of the share options granted to each director of the Company are set out in the section headed "Directors' Interests in Shares, Underlying Shares and Debentures"

No share options granted under the Scheme were exercised, cancelled or lapsed during the period ended 30 September 2008.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2008, the interests of the directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions

(I) Long positions in ordinary shares of HK\$0.10 each of the Company:

Name of director	Capacity	Number of issued ordinary shares held	% of the issued share capital of the Company
Mr. Cheng Hop Fai	Beneficiary of trusts (<i>note</i>)	339,397,470	70%
Mrs. Cheng Kwok Kwan Yuk	Beneficiary of trusts (<i>note</i>)	339,397,470	70%
Ms. Cheng Pak Ming, Judy	Beneficiary of trusts (<i>note</i>)	339,397,470	70%
Miss Cheng Pak Man, Anita	Beneficiary of trusts (<i>note</i>)	339,397,470	70%
Mr. Law Toe Ming	Beneficial owner	500,000	0.1%

Note: Golden Toy Investments Limited ("Golden Toy") and Kong Fai International Limited ("Kong Fai") held 43,217,445 shares (or 8.91% interest) and 296,180,025 shares (or 61.09% interest) of the Company, respectively. Golden Toy and Kong Fai are wholly-owned by two discretionary trusts of which family members of Mr. Cheng Hop Fai, including Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita, are discretionary objects.

(2) Long positions in share options

Details of share options granted to the directors under the Scheme at the beginning and at the end of the six months period ended 30 September 2008 were as follows:

Directors	Date of grant	Exercisable period	Exercise price per share	Number of share options	
				Outstanding as at 1.4.2008	Outstanding as at 30.9.2008
Mr. Cheng Hop Fai	12.05.2005	12.05.2005 – 12.05.2011	HK\$0.10	4,848,535	4,848,535
Mrs. Cheng Kwok Kwan Yuk	12.05.2005	12.05.2005 – 12.05.2011	HK\$0.10	4,848,535	4,848,535
Ms. Cheng Pak Ming, Judy	12.05.2005	12.05.2005 – 12.05.2011	HK\$0.10	4,848,535	4,848,535
Miss Cheng Pak Man, Anita	12.05.2005	12.05.2005 – 12.05.2011	HK\$0.10	4,848,535	4,848,535
Mr. Zhang Yunkun	03.03.2008	03.03.2008 – 03.03.2014	HK\$0.66	4,848,535	4,848,535
				24,242,675	24,242,675

Save as disclosed above, as at 30 September 2008, none of the directors and the chief executives of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO indicated that other than the interests disclosed above in respect of certain directors, the following persons had notified the Company of interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the SFO.

Long positions

Ordinary shares of HK\$0.10 each of the Company:

Name	Capacity	Number of issued ordinary shares held	% of the issued share capital of the Company
Golden Toy	Beneficial owner	43,217,445 ⁽¹⁾	8.91%
Kong Fai	Beneficial owner	296,180,025 ⁽¹⁾	61.09%
Trustcorp Limited	Trustee of trusts	339,397,470 ⁽¹⁾	70.00%
Newcorp Ltd.	Interest of controlled corporation	339,397,470 ⁽²⁾	70.00%
Newcorp Holdings Limited	Interest of controlled corporation	339,397,470 ⁽²⁾	70.00%
David William Roberts	Interest of controlled corporation	339,397,470 ⁽³⁾	70.00%
David Henry Christopher Hill	Interest of controlled corporation	339,397,470 ⁽³⁾	70.00%
Rebecca Ann Hill	Interest of spouse	339,397,470 ⁽⁴⁾	70.00%

Notes:

- (1) Trustcorp Limited is deemed under the SFO to have an interest in the same 339,397,470 shares, in aggregate, beneficially owned by Golden Toy and Kong Fai by virtue of it being the trustee of the two discretionary trusts which own 100% of the shares of Golden Toy and Kong Fai.
- (2) The corporate substantial shareholder notices filed by Newcorp Ltd. and Newcorp Holdings Limited indicated that Trustcorp Limited was wholly-owned by Newcorp Ltd. which in turn was wholly-owned by Newcorp Holdings Limited. Therefore, Newcorp Holdings Limited and Newcorp Ltd. are deemed to have interest in the 339,397,470 shares under the SFO.
- (3) The individual substantial shareholder notices filed by David William Roberts and David Henry Christopher Hill indicated that they are deemed to be interested in the 339,397,470 shares under the SFO by virtue of their interests held in Newcorp Holdings Limited.
- (4) The individual substantial shareholder notice filed by Rebecca Ann Hill indicated that her deemed interest in the 339,397,470 shares represents the interest of her spouse, David Henry Christopher Hill.

Save as disclosed above, the directors are not aware of any other persons who, as at 30 September 2008, had interests or short positions in the shares, underlying shares or debentures of the Company that were required to be entered into the register kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months period ended 30 September 2008 except for Code provision A.2.1 in respect of the role separation of the chairman and the chief executive officer and Code provision A.4.1 in respect of the service term of non-executive directors.

Code provision A.2.1 sets out that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Cheng Hop Fai assumes the role of both the Chairman and the Managing Director of the Company. The Board considers that such arrangement will not result in undue concentration of power and is, at this stage, conducive to the efficient formulation and implementation of the Group's strategies thus allowing the Group to develop its business more effectively.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors ("INEDs") of the Company are not appointed for a specific term. This constitutes a deviation from Code provision A.4.1. However, as all the INEDs of the Company are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Company's Bye-laws, in the opinion of the directors, this meets the objective of the Code.

AUDIT COMMITTEE

The members of the Audit Committee are Ms. Kan Lai Kuen, Alice (Chairman), Mr. Law Toe Ming and Mr. Mark Yiu Tong, William, the INEDs of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with the Board of Directors the internal control and financial reporting matters including the unaudited interim financial statements for the six months ended 30 September 2008.

REMUNERATION COMMITTEE

Pursuant to Code provision B.1.1, the Company has established a Remuneration Committee comprising the three INEDs, namely Mr. Law Toe Ming (Chairman), Ms. Kan Lai Kuen, Alice and Mr. Mark Yiu Tong, William. The terms of reference of the Remuneration Committee are consistent with the Code provisions. The principal function of the Remuneration Committee is to make recommendation to the Board on the Group's policy and structure for the remuneration of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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 its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all the directors have confirmed that they have complied with the required standards as set out in the Model Code during the six months period ended 30 September 2008.

By Order of the Board
Cheng Hop Fai
Chairman

Hong Kong, 16 December 2008