

INTERIM REPORT **2011/12**



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)

Zhang Yunkun

Cheng Pak Ming, Judy

Cheng Pak Man, Anita

Cheng Pak Lai, Lily

Non-executive Directors

Dong Demao

Meng Lingku

Independent Non-executive

Directors

Leung Tai Chiu

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

Minter Ellison

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House

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Hamilton HM11

Bermuda

PRINCIPAL OFFICE

Units 101-108, 1st Floor

East Ocean Centre

98 Granville Road

Tsimshatsui East

Kowloon

Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group

(Bermuda) Limited

Rosebank Centre

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Bermuda

BRANCH REGISTRAR

Computershare Hong Kong Investor

Services Limited

46th Floor

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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 2011. The interim results have been reviewed by Deloitte Touche Tohmatsu and the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Notes	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (unaudited)
Turnover	3	41,627	33,683
Other income		1,213	2,103
Change in fair value of investment properties		1,707	300
Cost of inventories consumed		(15,425)	(12,473)
Staff costs		(15,437)	(16,591)
Operating lease rentals		(6,621)	(6,293)
Depreciation		(1,331)	(605)
Other operating expenses		(8,943)	(7,926)
Loss for the period	4	<u>(3,210)</u>	<u>(7,802)</u>
Other comprehensive (expense) income			
Change in fair value of available-for-sale investments		(2,664)	86
Exchange differences arising from translation of foreign operations		(333)	40
		<u>(2,997)</u>	<u>126</u>
Total comprehensive expense for the period		<u>(6,207)</u>	<u>(7,676)</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(3,802)	(7,904)
Non-controlling interests		592	102
		<u>(3,210)</u>	<u>(7,802)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(6,799)	(7,778)
Non-controlling interests		592	102
		<u>(6,207)</u>	<u>(7,676)</u>
Loss per share			
Basic	6	<u>(HK0.20 cent)</u>	<u>(HK0.41 cent)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 September 2011

	Notes	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	10,036	11,356
Investment properties	8	–	50,000
Available-for-sale investments	9	6,912	9,576
Property rental deposits		4,122	2,473
		<u>21,070</u>	<u>73,405</u>
Current assets			
Inventories		2,822	1,677
Trade and other receivables	10	1,874	2,337
Pledged bank deposits		1,004	1,003
Bank balances and cash		86,957	87,412
		<u>92,657</u>	<u>92,429</u>
Assets classified as held for sale	11	51,707	–
		<u>144,364</u>	<u>92,429</u>
Current liabilities			
Trade and other payables	12	12,150	7,404
Amounts due to non-controlling shareholders of subsidiaries		322	316
		<u>12,472</u>	<u>7,720</u>
Net current assets		<u>131,892</u>	<u>84,709</u>
Net assets		<u>152,962</u>	<u>158,114</u>
Capital and reserves			
Share capital	13	193,941	193,941
Reserves		(58,714)	(52,970)
Equity attributable to owners of the Company		<u>135,227</u>	<u>140,971</u>
Non-controlling interests		17,735	17,143
Total equity		<u>152,962</u>	<u>158,114</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Share options reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2010 (audited)	193,941	87,492	84,123	-	3,195	(1,748)	(218,345)	148,658	17,057	165,715
(Loss) profit for the year	-	-	-	-	-	-	(13,739)	(13,739)	86	(13,653)
Change in fair value of available-for-sale investment	-	-	-	(277)	-	-	-	(277)	-	(277)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(632)	-	(632)	-	(632)
Total comprehensive (expense) income for the year	-	-	-	(277)	-	(632)	(13,739)	(14,648)	86	(14,562)
Recognition of equity-settled share-based payments	-	-	-	-	6,961	-	-	6,961	-	6,961
At 31 March 2011 and 1 April 2011 (audited)	193,941	87,492	84,123	(277)	10,156	(2,380)	(232,084)	140,971	17,143	158,114
(Loss) profit for the period	-	-	-	-	-	-	(3,802)	(3,802)	592	(3,210)
Change in fair value of available-for-sale investments	-	-	-	(2,664)	-	-	-	(2,664)	-	(2,664)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(333)	-	(333)	-	(333)
Total comprehensive (expense) income for the period	-	-	-	(2,664)	-	(333)	(3,802)	(6,799)	592	(6,207)
Expiry of share options	-	-	-	-	(535)	-	535	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	1,055	-	-	1,055	-	1,055
At 30 September 2011 (unaudited)	193,941	87,492	84,123	(2,941)	10,676	(2,713)	(235,351)	135,227	17,735	152,962
At 1 April 2009 (audited)	48,485	90,676	84,123	-	1,764	(1,748)	(206,776)	16,524	15,760	32,284
(Loss) profit and total comprehensive (expense) income for the year	-	-	-	-	-	-	(11,569)	(11,569)	1,297	(10,272)
Recognition of equity-settled share-based payments	-	-	-	-	1,431	-	-	1,431	-	1,431
Open offer of share	145,456	-	-	-	-	-	-	145,456	-	145,456
Transaction costs attributable to issue of offer shares	-	(3,184)	-	-	-	-	-	(3,184)	-	(3,184)
At 31 March 2010 and 1 April 2010 (audited)	193,941	87,492	84,123	-	3,195	(1,748)	(218,345)	148,658	17,057	165,715
(Loss) profit for the period	-	-	-	-	-	-	(7,904)	(7,904)	102	(7,802)
Change in fair value of available-for-sale investments	-	-	-	86	-	-	-	86	-	86
Exchange differences arising from translation of foreign operations	-	-	-	-	-	40	-	40	-	40
Total comprehensive income (expense) for the period	-	-	-	86	-	40	(7,904)	(7,778)	102	(7,676)
Recognition of equity-settled share-based payments	-	-	-	-	2,966	-	-	2,966	-	2,966
At 30 September 2010 (unaudited)	193,941	87,492	84,123	96	6,161	(1,708)	(226,249)	143,846	17,159	161,005

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)	1.4.2010 to 30.9.2010 HK\$'000 (unaudited)
Net cash used in operating activities	(5,198)	(4,334)
Net cash used in investing activities		
Deposit received for disposal of investment properties	4,374	–
Purchase of property, plant and equipment	(10)	(9,961)
Purchase of available-for-sale investments	–	(4,669)
Other investing cash flows	379	307
	4,743	(14,323)
Net decrease in cash and cash equivalents	(455)	(18,657)
Cash and cash equivalents at beginning of the period	87,412	114,005
Cash and cash equivalents at end of the period	86,957	95,348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

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 (“the Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 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 certain financial instruments and investment properties, which are measured at fair values.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2011. In addition, the Group has applied the following accounting policy for non-current assets held for sale during the current interim period:

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised HKFRSs”) issued by the HKICPA.

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets ¹
HKFRS 9	Financial instruments ²
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosures of interests in other entities ²
HKFRS 13	Fair value measurement ²
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ³
HKAS 19 (Revised 2011)	Employee benefits ²
HKAS 27 (Revised 2011)	Separate financial statements ²
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ²
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

Other than disclosed above, the directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and result by operating segment for the period under review:

	Restaurant operations HK\$'000	Property investment HK\$'000	Other HK\$'000	Total HK\$'000
Six months ended 30 September 2011				
TURNOVER				
External	<u>41,588</u>	<u>-</u>	<u>39</u>	<u>41,627</u>
SEGMENT RESULT	<u>(3,992)</u>	<u>1,689</u>	<u>624</u>	<u>(1,679)</u>
Unallocated corporate expenses				(1,905)
Interest income				<u>374</u>
Loss for the period				<u><u>(3,210)</u></u>
	Restaurant operations HK\$'000	Property investment HK\$'000	Other HK\$'000	Total HK\$'000

Six months ended 30 September 2010

TURNOVER				
External	<u>33,607</u>	<u>-</u>	<u>76</u>	<u>33,683</u>
SEGMENT RESULT	<u>(5,220)</u>	<u>291</u>	<u>(51)</u>	<u>(4,980)</u>
Unallocated corporate expenses				(3,126)
Interest income				<u>304</u>
Loss for the period				<u><u>(7,802)</u></u>

Segment result represents the profit (loss) earned by each segment without allocation of corporate expenses, share-based payments and interest income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. LOSS FOR THE PERIOD

	1.4.2011 to 30.9.2011 HK\$'000	1.4.2010 to 30.9.2010 HK\$'000
Loss for the period has been arrived at after (crediting) charging:		
Depreciation	1,331	605
Interest income	(374)	(304)
	<u> </u>	<u> </u>

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries did not have assessable profit for the period.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the period of HK\$3,802,000 (six months ended 30 September 2010: HK\$7,904,000) and on 1,939,414,108 shares (six months ended 30 September 2010: 1,939,414,108 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. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$10,000 mainly on the furniture and restaurant equipment for restaurant operations (six months ended 30 September 2010: HK\$13,152,000).

8. INVESTMENT PROPERTIES

The investment properties were valued by an independent qualified professional valuer, RHL Appraisal Limited, using direct comparison approach. An increase in fair value of HK\$1,707,000 was recognised on the Group's investment properties for the six months ended 30 September 2011 (six months ended 30 September 2010: HK\$300,000). The whole amount was reclassified to assets held for sale during the six months ended 30 September 2011 (see noted 11).

9. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2011 HK\$'000	31.3.2011 HK\$'000
Equity securities listed in Hong Kong	2,328	4,277
Debt securities listed in Hong Kong	4,584	5,299
	6,912	9,576

10. 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 end of the reporting period:

	30.9.2011 HK\$'000	31.3.2011 HK\$'000
0 – 60 days	937	690
More than 60 days	7	2
	944	692

11. ASSETS CLASSIFIED AS HELD FOR SALE

On 8 August 2011, the Group entered into an agreement with an independent third party for the disposal of investment properties at a consideration of RMB49,000,000 (equivalent to approximately HK\$59,520,000). Details of the transaction was disclosed in the circular dated 15 September 2011. The transaction was completed in November 2011. At the date of this report, the Company is assessing the relevant financial effect and expects to complete it for year-end reporting.

The investment properties with the fair value at approximately HK\$51,707,000 were classified as assets held for sale during the six months ended 30 September 2011.

12. TRADE AND OTHER PAYABLES

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

	30.9.2011 <i>HK\$'000</i>	31.3.2011 <i>HK\$'000</i>
0 – 60 days	3,515	2,283
More than 60 days	137	53
	<hr/> 3,652 <hr/>	<hr/> 2,336 <hr/>

As at 30 September 2011, an amount of approximately HK\$4,374,000, representing deposits received for the disposal of investment properties, is included in other payables.

13. SHARE CAPITAL

	30.9.2011 & 31.3.2011 <i>HK\$'000</i>
Authorised: 5,000,000,000 ordinary shares of HK\$0.1 each	<hr/> 500,000 <hr/>
Issued and fully paid: 1,939,414,108 ordinary shares of HK\$0.1 each	<hr/> 193,941 <hr/>

There were no changes in authorised, issued and fully paid share capital for the period.

14. SHARE OPTION SCHEMES

The Company adopted a share option scheme on 22 August 2002 (the “2002 Scheme”). The Company by shareholders’ resolutions passed at the special general meeting held on 10 May 2010 has adopted a new share option scheme (the “Current Scheme”) and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. However, any outstanding share options granted under the 2002 Scheme shall continue to be exercisable subject to the rules of the 2002 Scheme and the provisions of Chapter 17 of the Listing Rules. The Current Scheme shall be valid and effective until 8 May 2020.

14. SHARE OPTION SCHEMES *(continued)*

Details of movements in the share options granted under the 2002 Scheme and the Current Scheme during the current period are set out below:

	Outstanding at 1.4.2011	Expired during the period	Outstanding at 30.9.2011
2002 Scheme	48,416,285	(24,242,675)	24,173,610
Current Scheme	40,000,000	–	40,000,000
	<u>88,416,285</u>	<u>(24,242,675)</u>	<u>64,173,610</u>

No share options were granted to, nor exercised by the Company's directors during the current period.

The Group recognised total expense of HK\$1,054,000 for the six months ended 30 September 2011 (six months ended 30 September 2010: HK\$2,966,000) in relation to share options granted by the Company.

15. 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\$1,700,000 (six months ended 30 September 2010: HK\$1,800,000). At 30 September 2011, rental deposit paid to Homley amounted to HK\$1,050,000 (31 March 2011: HK\$900,000) and was included in property rental deposits. The monthly rental was determined by both parties with reference to market rent.

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

- (b) During the period, the Group leased certain residential premises from Hover City Industrial Limited ("Hover City"). Rental charged by Hover City during the period amounted to HK\$438,000 (six months ended 30 September 2010: HK\$408,000). At 30 September 2011, rental deposit paid to Hover City amounted to HK\$146,000 (31 March 2011: HK\$146,000) and was included in property rental deposits. The monthly rental was determined by both parties with reference to market rent.

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

- (c) The remuneration of the Company's directors and other members of key management during the period amounted to HK\$2,501,000 (six months ended 30 September 2010: HK\$3,325,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2011, the Group recorded a consolidated turnover of approximately HK\$41.6 million, an increase of approximately HK\$7.9 million or 24% compared to the last corresponding period.

The net loss for the period under review was approximately HK\$3.2 million, representing an improvement of HK\$4.6 million as compared to the net loss of approximately HK\$7.8 million in the last corresponding period. The share options granted on 19 May 2010 resulted in approximately HK\$1.1 million share-based payment expenses being recognised in the current period compared to HK\$3.0 million being recognised in the last corresponding period.

Review of Operations

Turnover from the restaurant operation in Hong Kong was the major contributor to the Group's turnover and amounted to approximately HK\$41.6 million for the period under review. The improvement in turnover by 24% was mainly attributable to increased business as a result of the renovation works carried out in the two restaurant outlets in the first half of last year as well as more business generated by tourists from Mainland China. The operating loss for this segment decreased to approximately HK\$4.0 million from HK\$5.2 million in the last corresponding period.

On 8 August 2011, the Group entered into a sales agreement to dispose its investment properties located in Shenzhen, China for a consideration of RMB49.0 million (equivalent to approximately HK\$59.5 million). In August, an initial deposit of RMB10.0 million (equivalent to approximately HK\$12.1 million) was received and it was partially offset by approximately RMB6.4 million (equivalent to approximately HK\$7.7 million) management fees paid to the management office of the investment properties. An upward revaluation of approximately HK\$1.7 million in the fair value of such investment properties was recorded for the period under review with reference to the latest appraised value of approximately HK\$51.7 million. For disclosure purposes, the investment properties were also reclassified as assets held for sale. The sale transaction was completed on 16 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$88.0 million as at 30 September 2011. The Group had no bank borrowings and its gearing ratio was zero as at 30 September 2011 and 31 March 2011 respectively. With the cash generated from the Group's operation in its ordinary course of business and the existing unutilised banking facilities, the Group has sufficient financial resources in meeting its operation needs.

Foreign Exchange Exposure

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

Employees and Remuneration Policies

The Group had approximately 168 employees as at 30 September 2011. 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 2011 (for the six months ended 30 September 2010: Nil).

PROSPECTS

The performance of the restaurant business is expected to improve in the second half of the financial year owing to the upcoming festive season which is traditionally the high season for the food and beverage industry. However, the operating environment for the restaurant business remains challenging due to increasing food, rental and staff costs. 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 adopted a share option scheme on 22 August 2002 (the “2002 Scheme”). The Company by shareholders’ resolutions passed at the special general meeting held on 10 May 2010 has adopted a new share option scheme (the “Current Scheme”, and, together with the 2002 Scheme, the “Schemes”) and terminated the 2002 Scheme. No further share options may be offered under the 2002 Scheme. However, any outstanding share options granted under the 2002 Scheme shall continue to be exercisable subject to the rules of the 2002 Scheme and the provisions of Chapter 17 of the Listing Rules. The Current Scheme shall be valid and effective until 8 May 2020.

The purpose of the 2002 Scheme is to enable the Company to grant options to employees, directors, consultants, advisers and/or agents of the Company or any of its subsidiaries (the “2002” participants”) as incentives or rewards for their contribution to the Company or such subsidiaries.

The purpose of the Current Scheme is to recognize the commitments and contributions of the following eligible participants (the “Current Participants” and, together with the 2002 Participants, the “Participants”) by granting options to them as incentives or rewards:–

- (a) any employee or director (including executive director, non-executive director and independent non-executive director) of any member of the Group or any entity in which any member of the Group holds an equity interest (the “Invested Entity”);
- (b) any advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services, business or joint-venture partner of any member of the Group or any Invested Entity whom the Board of Directors in its sole discretion considers eligible for the Current Scheme on the basis of his or her contribution to the Group or the Invested Entity (as the case may be); and
- (c) any person whom the Board of Directors in its sole discretion considers has contributed or will contribute to the Group or to the Invested Entity (as the case may be).

SHARE OPTIONS (continued)

At 30 September 2011, the number of shares in respect of which options had been granted and remained outstanding under the Schemes was 64,173,610 shares, representing 3.3% of the shares of the Company in issue as at that date. A summary of the said share options is set out below:

Option holders	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				Outstanding as at 1.4.2011	Expired during the period	Outstanding as at 30.9.2011
Cheng Hop Fai	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535	-
	12.05.2005	12.05.2005 – 11.05.2011	0.100 ⁽²⁾	4,848,535	4,848,535	-
	16.12.2009	16.12.2009 – 15.12.2015	0.185	6,900,000	-	6,900,000
	16.12.2009	16.12.2009 – 23.03.2012	0.185 ⁽²⁾	6,900,000	-	6,900,000
	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	5,000,000	-	5,000,000
	19.05.2010	19.05.2011 – 23.03.2012	0.420 ^{(1) (2)}	5,000,000	-	5,000,000
Cheng Pak Ming, Judy	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535	-
	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	4,250,000	-	4,250,000
Cheng Pak Man, Anita	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535	-
	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	4,250,000	-	4,250,000
Zhang Yunkun	03.03.2008	03.03.2008 – 02.03.2014	0.308	10,373,610	-	10,373,610
	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	10,000,000	-	10,000,000
Law Toe Ming	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	1,900,000	-	1,900,000
Kan Lai Kuen, Alice	19.05.2010	19.05.2011 – 11.02.2012	0.420 ^{(1) (3)}	1,900,000	-	1,900,000
Mark Yiu Tong, William	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	1,900,000	-	1,900,000
Dong Demao	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	1,900,000	-	1,900,000
Mao Jingwen	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	1,900,000	-	1,900,000
Meng Lingku	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	2,000,000	-	2,000,000
Employee	12.05.2005	12.05.2005 – 11.05.2011	0.100	4,848,535	4,848,535	-
				<u>88,416,285</u>	<u>24,242,675</u>	<u>64,173,610</u>

SHARE OPTIONS *(continued)*

Note:

- (1) The closing price of the shares on 18 May 2010, the date immediately before the share options were offered, was HK\$0.425 per share. All the options granted on 19 May 2010 were vested on 19 May 2011.
- (2) These options were held by one of the ex-executive Directors, Mrs. Cheng Kwok Kwan Yuk (“Mrs. Cheng”). On 23 March 2011, Mrs. Cheng passed away. As she ceased to be an eligible person, Mr. Cheng Hop Fai, acting as her personal representative, may exercise all her options within a 12-months period from the day Mrs. Cheng passed away.
- (3) Following Ms. Kan Lai Kuen, Alice’s retirement as the independent non-executive Director on 11 August 2011, she may exercise all her options within 6 months from the date of her retirement.

DIRECTORS’ INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests of the directors and the chief executives and their associates in the shares, underlying shares or debentures of the Company or any associated corporations which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the “SFO”); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, 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 (the “Listing Rules”), to be notified to the Company and the Stock Exchange were as follows:

Name of director	Capacity and nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Cheng Hop Fai	Beneficiary of trusts <i>(note)</i>	1,450,037,841	74.76%
Cheng Pak Ming, Judy	Beneficiary of trusts <i>(note)</i>	1,450,037,841	74.76%
Cheng Pak Man, Anita	Beneficiary of trusts <i>(note)</i>	1,450,037,841	74.76%
Cheng Pak Lai, Lily	Beneficiary of trusts <i>(note)</i>	1,450,037,841	74.76%
Law Toe Ming	Beneficial owner	2,000,000	0.10%

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Note: Golden Toy Investments Limited ("Golden Toy") and Kong Fai International Limited ("Kong Fai") held 172,869,780 share (or 8.91% interest) and 1,277,168,061 share (or 65.85% 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, Ms. Cheng Pak Ming, Judy, Ms. Cheng Pak Man, Anita and Ms. Cheng Pak Lai, Lily are discretionary objects.

Save as disclosed above and in the section titled "Share Options", as at 30 September 2011, 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 any associated corporations which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) which were required to be entered into the register referred to therein pursuant to Section 352 of the SFO, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, as at 30 September 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO indicated that 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 Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Golden Toy	Beneficial owner	172,869,780 ⁽¹⁾	8.91%
Kong Fai	Beneficial owner	1,277,168,061 ⁽¹⁾	65.85%
Fiducia Suisse SA	Trustee of trusts	1,450,037,841 ⁽¹⁾	74.76%
David Henry Christopher Hill	Interest of controlled corporation	1,450,037,841 ⁽²⁾	74.76%
Rebecca Ann Hill	Interest of Spouse	1,450,037,841 ⁽³⁾	74.76%

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

- (1) Fiducia Suisse SA (previously known as KF Suisse SA) is deemed under the SFO to have an interest in the same 1,450,037,841 shares, in aggregate, beneficially owned by Golden Toy and Kong Fai by virtue of it being the trustee of two discretionary trusts which own 100% of the shares of Golden Toy and Kong Fai.
- (2) The individual substantial shareholder notice filed by David Henry Christopher Hill indicated that he is deemed to be interested in the 1,450,037,841 shares under the SFO by virtue of his interest held in Fiducia Suisse SA.
- (3) The individual substantial shareholder notice filed by Rebecca Ann Hill indicated that her deemed interest in the 1,450,037,841 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 2011, had any interests or short positions in the shares or underlying shares 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 Listing Rules throughout the six months ended 30 September 2011 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 ON CORPORATE GOVERNANCE PRACTICE *(continued)*

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 Mr. Leung Tai Chiu (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 2011.

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), Mr. Leung Tai Chiu 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 of Directors on the Group’s policy and structure for the remuneration of directors and senior management.

SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by 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 ended 30 September 2011.

By Order of the Board
Cheng Hop Fai
Chairman

Hong Kong, 21 November 2011