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**LONGRUN TEA GROUP COMPANY LIMITED**  
**龍潤茶集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2898)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

The directors (the “Directors”) of Longrun Tea Group Company Limited (the “Company”) announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2012, together with the comparative figures for the corresponding period in 2011, as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 September 2012*

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
REVENUE	2	<b>139,055</b>	206,578
Cost of sales		<b>(77,158)</b>	(115,845)
Gross profit		<b>61,897</b>	90,733
Other income and gains	3	<b>11,112</b>	4,082
Selling and distribution costs		<b>(50,580)</b>	(22,789)
Administrative expenses		<b>(22,866)</b>	(22,646)
Other expenses		<b>(1,040)</b>	(968)
Finance costs	4	<b>(281)</b>	(237)

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
(LOSS)/PROFIT BEFORE TAX	5	(1,758)	48,175
Income tax expense	6	<u>(5,879)</u>	<u>(15,982)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u><b>(7,637)</b></u>	<u>32,193</u>
Attributable to:			
Owners of the Company		(3,714)	32,659
Non-controlling interests		<u>(3,923)</u>	<u>(466)</u>
		<u><b>(7,637)</b></u>	<u>32,193</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		<u><b>(HK0.26 cent)</b></u>	<u>HK2.25 cents</u>
– Diluted		<u><b>(HK0.26 cent)</b></u>	<u>HK2.25 cents</u>

Details of dividend for the period under review are disclosed in note 7.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	<b>(7,637)</b>	32,193
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>302</u>	<u>5,333</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>302</u>	<u>5,333</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u><b>(7,335)</b></u>	<u>37,526</u>
Attributable to:		
Owners of the Company	<b>(3,505)</b>	38,024
Non-controlling interests	<u><b>(3,830)</b></u>	<u>(498)</u>
	<u><b>(7,335)</b></u>	<u>37,526</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

		30 September 2012 (Unaudited) <i>HK\$'000</i>	31 March 2012 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>81,232</b>	67,434
Prepaid land lease payments		<b>5,518</b>	5,728
Prepayment and deposits for acquisition of items of property, plant and equipment		<b>5,708</b>	3,215
Intangible assets		<b>35,727</b>	38,719
Goodwill		<b>116,920</b>	116,920
Deferred tax assets		<b>240</b>	240
Total non-current assets		<b>245,345</b>	232,256
<b>CURRENT ASSETS</b>			
Inventories		<b>22,702</b>	16,587
Trade receivables	10	<b>57,898</b>	29,748
Prepayments, deposits and other receivables		<b>23,668</b>	22,481
Financial assets at fair value through profit or loss		<b>232</b>	257
Time deposits with original maturity of more than three months		<b>200,445</b>	150,791
Cash and cash equivalents		<b>30,685</b>	87,811
Total current assets		<b>335,630</b>	307,675
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>47,418</b>	17,472
Other payables and accruals		<b>55,319</b>	44,483
Interest-bearing bank and other borrowings		<b>11,114</b>	12,014
Due to related companies		<b>12,030</b>	818
Due to directors		<b>11,744</b>	7,364
Tax payable		<b>4,539</b>	17,918
Total current liabilities		<b>142,164</b>	100,069

		<b>30 September</b>	31 March
		<b>2012</b>	2012
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
NET CURRENT ASSETS		<u><b>193,466</b></u>	<u>207,606</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><b>438,811</b></u>	<u>439,862</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		<b>627</b>	748
Deferred income		<b>17,049</b>	10,225
Deferred tax liabilities		<u><b>11,172</b></u>	<u>11,782</u>
Total non-current liabilities		<u><b>28,848</b></u>	<u>22,755</u>
Net assets		<u><b>409,963</b></u>	<u>417,107</u>
EQUITY			
<b>Equity attributable to owners of the Company</b>			
Issued capital	<i>12</i>	<b>72,476</b>	72,451
Reserves		<u><b>344,494</b></u>	<u>347,833</u>
		<b>416,970</b>	420,284
Non-controlling interests		<u><b>(7,007)</b></u>	<u>(3,177)</u>
Total equity		<u><b>409,963</b></u>	<u>417,107</u>

# NOTES TO INTERIM FINANCIAL INFORMATION

30 September 2012

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The condensed interim financial information for the six months ended 30 September 2012 is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2012. The Group adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) for the first time for the current period’s financial information.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Asset</i>

Adoption of the above new and revised HKFRSs did not have any material effect on the financial position or performance of the Group.

## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

- (a) the “Manufacturing and distribution of pharmaceutical products” segment engages in the manufacturing, sale and distribution of pharmaceutical products; and
- (b) the “Distribution of tea and other food products” segment engages in the sale and distribution of tea and other food products.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group’s (loss)/profit before tax except that interest income, finance costs, dividend income, fair value (losses)/gains from the Group’s financial instruments as well as head office and corporate expenses are excluded from such measurement.

(a) **Business segment**

	For the six months ended 30 September					
	Manufacturing and distribution of pharmaceutical products		Distribution of tea and other food products		Total	
	2012	2011	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	26,039	23,701	113,016	182,877	139,055	206,578
Other revenue	84	236	7,487	3,601	7,571	3,837
Total	<u>26,123</u>	<u>23,937</u>	<u>120,503</u>	<u>186,478</u>	<u>146,626</u>	<u>210,415</u>
Segment results	<u>790</u>	<u>1,918</u>	<u>1,979</u>	<u>53,806</u>	<u>2,769</u>	<u>55,724</u>
Reconciliation:						
Interest income					3,566	214
Corporate and other unallocated expenses					(7,812)	(7,526)
Finance costs					(281)	(237)
(Loss)/profit before tax					<u>(1,758)</u>	<u>48,175</u>

(b) **Geographical information**

Revenue from external customers:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The People's Republic of China (the "PRC"), excluding Hong Kong	133,357	198,525
Hong Kong	5,484	7,370
Elsewhere in Asia	214	683
	<u>139,055</u>	<u>206,578</u>

The revenue information above is based on the location of customers.

### 3. OTHER INCOME AND GAINS

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Other income</b>		
Interest income	3,566	214
Franchise income	5,444	2,795
Commission income	1,858	–
Others	269	1,042
	<u>11,137</u>	<u>4,051</u>
<b>Gains</b>		
Fair value loss on financial assets at fair value through profit or loss	(25)	(119)
Gain on disposal of items of property, plant and equipment, net	–	150
	<u>(25)</u>	<u>31</u>
	<u><b>11,112</b></u>	<u><b>4,082</b></u>

### 4. FINANCE COSTS

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	250	199
Interest on finance leases	31	38
	<u>281</u>	<u>237</u>



## 5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	77,515	115,534
Amortisation of intangible assets	3,012	2,984
Depreciation	4,690	3,752
Recognition of prepaid land lease payments	70	70
Reversal of inventory provision	(425)	–
Impairment of trade receivables	238	–
	<u>77,515</u>	<u>115,534</u>

## 6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 September 2011: Nil). The corporate income tax provision of the Group in respect of operations in Mainland China has been calculated at 25% on the estimated assessable profits for the periods ended 30 September 2012 and 2011 based on the rate prevailing in the jurisdictions in which the Group operates.

	For the six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Mainland China	6,489	16,592
Deferred tax credit	(610)	(610)
	<u>5,879</u>	<u>15,982</u>

Deferred tax asset has not been recognised in respect of the tax losses of certain subsidiaries of the Company as it is uncertain whether taxable profits will be available against which the tax losses will be utilised.

## **7. INTERIM DIVIDEND**

The Directors did not propose to declare any interim dividend for the six months ended 30 September 2012 (2011: Nil).

## **8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to owners of the Company of loss of HK\$3,714,000 (six months ended 30 September 2011: profit of HK\$32,659,000) and the weighted average of 1,449,197,000 (six months ended 30 September 2011: 1,449,010,000) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2012 in respect of a dilution as the impact of the share options outstanding, where applicable, during the period under review had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of diluted earnings per share amounts is based on the profit for the six months ended 30 September 2011 attributable to owners of the Company of HK\$32,659,000. The weighted average number of ordinary shares used in the calculation is the 1,449,010,000 ordinary shares in issue during the six months ended 30 September 2011, as used in the basic earnings per share calculation, and the weighted average number of 1,076,598 for the six months ended 30 September 2011 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

## **9. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group acquired property, plant and equipment of HK\$18,320,000 (six months ended 30 September 2011: HK\$6,430,000).

## 10. TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 days to 180 days to its customers. An aged analysis of the trade receivables as at the end of the reporting period, based on payment due date, that are not considered to be impaired, is as follows:

	<b>30 September</b>	31 March
	<b>2012</b>	2012
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Current (neither past due nor impaired)	<b>36,867</b>	17,924
Within 1 to 3 months overdue	<b>16,729</b>	7,906
More than 3 months overdue but less than 12 months overdue	<b>4,302</b>	3,782
Over 12 months overdue	—	136
	<b>57,898</b>	29,748

## 11. TRADE PAYABLES

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

	<b>30 September</b>	31 March
	<b>2012</b>	2012
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Current	<b>35,324</b>	1,563
Within 1 to 3 months overdue	<b>7,547</b>	10,316
More than 3 months overdue but less than 12 months overdue	<b>3,470</b>	4,266
Over 12 months overdue	<b>1,077</b>	1,327
	<b>47,418</b>	17,472

Included in the Group's trade payables are trade payables due to the following related parties:

	<b>30 September</b>	31 March
	<b>2012</b>	2012
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Changning Longrun Tea Company Limited ("CLRT") 昌寧縣龍潤茶業有限公司	<b>18,798</b>	212
Fengqing Longrun Tea Company Limited ("FLRT") 鳳慶龍潤茶業有限公司	<b>6,682</b>	2,514
Yunnan Longrun Tea Group Limited ("LRTG") 雲南龍潤茶業集團有限公司	<b>3,259</b>	3,282
Yunnan Longrun Tea Development Company Limited ("YLRT") 雲南龍潤茶業發展有限公司	<b>2,118</b>	4,278
	<b><u>30,857</u></b>	<b><u>10,286</u></b>

CLRT, FLRT and YLRT are wholly owned subsidiaries of LRTG. LRTG is beneficially owned as to 90% and 10% by Dr. Chiu Ka Leung and Mr. Jiao Shaoliang, directors of the Company, respectively.

## 12. SHARE CAPITAL

	<b>30 September</b>	31 March
	<b>2012</b>	2012
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
<i>Authorised</i>		
5,000,000,000 ordinary shares of HK\$0.05 each	<b><u>250,000</u></b>	<u>250,000</u>
<i>Issued and fully paid</i>		
1,449,520,000 (31 March 2012: 1,449,010,000) ordinary shares of HK\$0.05 each	<b><u>72,476</u></b>	<u>72,451</u>

The movements in share capital during the period were as follows:

	<b>Number of shares in issue</b>	<b>Issued capital <i>HK\$'000</i></b>	<b>Share premium account <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
At 1 April 2012	1,449,010,000	72,451	252,153	324,604
Share options exercised:				
Share option scheme	<u>510,000</u>	<u>25</u>	<u>166</u>	<u>191</u>
At 30 September 2012	<u><u>1,449,520,000</u></u>	<u><u>72,476</u></u>	<u><u>252,319</u></u>	<u><u>324,795</u></u>

### ***Share options***

Details of the Company's share option scheme and the share options issued are included in note 13.

## **13. EQUITY COMPENSATION PLANS**

### ***(a) Share Option Scheme***

On 17 August 2012, the Company passed the resolution at the annual general meeting for the adoption of a new share option scheme (the "2012 Share Option Scheme") as the existing share option scheme (the "2002 Share Option Scheme") had been expired on 4 September 2012. The 2002 Share Option Scheme became effective on 5 September 2002 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date. Outstanding share options granted under the 2002 Share Option Scheme would remain exercisable, unless otherwise cancelled or amended in accordance with the 2002 Share Option Scheme.

As at 30 September 2012, no share options were outstanding under the 2002 Share Option Scheme and the 2012 Share Option Scheme. No share options were granted, exercised or lapsed under the 2012 Share Option Scheme during the current period.

The following share options were outstanding under the 2002 Share Option Scheme during the period:

	2012		2011	
	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options
At 1 April	0.375	1,290,000	0.375	1,290,000
Exercised during the period	0.375	(510,000)	–	–
Lapsed during the period	0.375	<u>(780,000)</u>	–	<u>–</u>
At 30 September	–	<u>–</u>	0.375	<u>1,290,000</u>

**(b) Option agreements**

The following share options were outstanding under the option agreements during the period:

	2012		2011	
	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options
At 1 April and 30 September	0.4	<u>4,000,000</u>	0.4	<u>4,000,000</u>

No share options were granted, exercised or lapsed during the current and prior periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the six months ended 30 September 2012, the revenue of the Group decreased by approximately 32.7% to approximately HK\$139,055,000 (six months ended 30 September 2011: HK\$206,578,000) whereas gross profit of the Group decreased by approximately 31.8% to approximately HK\$61,897,000 (six months ended 30 September 2011: HK\$90,733,000).

Loss for the period was approximately HK\$7,637,000 (six months ended 30 September 2011: profit of HK\$32,193,000). Loss attributable to owners of the Company amounted to approximately HK\$3,714,000 (six months ended 30 September 2011: profit of HK\$32,659,000). The decrease in profit is mainly attributable to, in particular, (1) the decrease in sales due to the continued downturn of the domestic economy of the PRC; and (2) the increase in selling and distribution expenses for the business development of the Group's traditional tea business and trendy teahouse business.

### Business Review

#### *Tea and Other Food Products Businesses*

During the period under review, the Group focused on distributing tea and other food products under the well-established "Longrun" (龍潤) brand in the PRC market.

Revenue for the period from tea and other food products businesses was approximately HK\$113,016,000 (six months ended 30 September 2011: HK\$182,877,000), accounting for approximately 81.3% (six months ended 30 September 2011: 88.5%) of the Group's total revenue.

## ***Tea Shops***

As at 30 September 2012, we managed a network comprising a total of over 200 self-owned and franchised tea shops across Mainland China and Hong Kong. Our traditional and convenient tea products i.e. tea cakes, loose tea leaves, tea gift sets, convenient tea-cups, instant tea essence and tea bags, etc., are sold in these shops. Besides, we also have over 20 franchised convenient tea shops in Yunnan and Shandong Provinces and Tianjin Municipality. Most of these shops are located close to business center and office buildings, and primarily sell and distribute convenient tea products for office use, such as convenient tea-cups, instant tea essence and tea bags.

## ***Mega Retail Outlet Targeting Tourists***

Besides the traditional tea shops, the Group also focuses on the tourist market. Mega retail outlets are opened for targeting both domestic and international tourists travelling to Yunnan Province. The Group now operates 3 mega retail outlets in Kunming, Yunnan Province with a gross total area over 45,000 square feet.

<b>Location of Mega Retail Outlet</b>	<b>Highlight</b>
Kunming International Convention & Exhibition Centre (昆明國際會展中心)	A place for international exhibitions and fairs
World Horticultural Expo Garden (昆明世界園藝博覽園)	A must-go tourist attraction in Kunming
Yunnan Nationalities Village (昆明民族村)	25 ethnic minorities living in Yunnan Province

Sales generated from these mega retail outlets were satisfactory. Given the robust tourism in Yunnan Province, prospects for these mega retail outlets are promising.



### ***Trendy Teahouse (茶物語 – Tea Story)***

“茶物語 – Tea Story” is our franchised operation of trendy teahouses in the PRC mainly targeting the younger generation. The principal products served in “茶物語 – Tea Story” include bubble teas, cocoa beverages, fruit drinks, shakes, slushies and Taiwanese snacks and light refreshments. As at 30 September 2012, we have expanded our “茶物語 – Tea Story” network to over 1,000 franchised teahouses mainly located in Beijing, Shanghai, Guangzhou and Xiaman.

### ***Healthcare and Pharmaceutical Business***

During the period under review, the business and operations of the Group’s healthcare and pharmaceutical products business continued to make steady contribution. Revenue from this division was approximately HK\$26,039,000 for the period under review (six months ended 30 September 2011: HK\$23,701,000), accounting for about 18.7% (six months ended 30 September 2011: 11.5%) of the Group’s total revenue. “Beauty and Healthy”(排毒美顏寶) remained the Group’s major revenue contributor in this segment, accounting for 3.9% (six months ended 30 September 2011: 3.4%) of the total turnover during the period under review.

### **Prospects**

In the first half of the financial year, the general consumer market in the PRC was particularly weak given the slowdown of domestic economy. The management believes the PRC domestic market will continue to be challenging and remain depressed in the coming years. The management is very cautious about the general consumer market in Mainland China.

Going forward, the Group will put more resources on the mega retail outlets targeting tourists given the domestic tourist spending keeps growing steadily according to National Tourism Administration of the PRC. The Group would also like to replicate the mega retail outlets business model in Kunming to other tourist attractions in other provinces.

In light of the weak economy and the soaring operating costs in the PRC, the Group will continue to optimize its operation efficiency and will implement cost-control strategy to maintain the Group’s profitability in the coming years.

## **Liquidity and Financial Resources**

The Group has consistently maintained sufficient working capital. As at 30 September 2012, the Group had current assets of HK\$335,630,000 (31 March 2012: HK\$307,675,000) and cash and bank balances of HK\$231,130,000 (31 March 2012: HK\$238,602,000). The Group's current liabilities as at 30 September 2012 were HK\$142,164,000 (31 March 2012: HK\$100,069,000).

As at 30 September 2012, total equity was HK\$409,963,000 (31 March 2012: HK\$417,107,000). The Group had interest-bearing bank and other borrowings of HK\$11,741,000 as at 30 September 2012 (31 March 2012: HK\$12,762,000). The gearing ratio as at 30 September 2012, being the ratio of total liabilities to total equity, was 41.7% (31 March 2012: 29.4%).

## **Employees**

As at 30 September 2012, the Group had 800 employees (31 March 2012: 551 employees). The Group recorded staff costs of approximately HK\$20,688,000.

Remuneration policy and packages for the Group's employees are reviewed and approved by the board of directors of the Company (the "Board") on a periodical basis. The Group remunerates its employees based on industry practice and performance of the Group and individual employees. The Group also makes available a share option scheme and offers discretionary bonuses to its employees.

## **Contingent Liabilities**

As at 30 September 2012, the Group did not have any significant contingent liabilities.

## **Exchange Risk**

The Group's revenues and costs are mainly denominated in Hong Kong dollars and Renminbi. Since the Hong Kong dollar remains pegged to the US dollar and Renminbi has been pegged to a basket of currencies, the Group does not foresee substantial risks from exposure to the US dollar and Renminbi in this regard.

## **Pledge of the Group's Assets**

As at 30 September 2012, the Group's leasehold land and buildings with an aggregate net carrying amount of approximately HK\$24,299,000 (31 March 2012: HK\$24,889,000) were pledged to secure banking facilities granted to the Group.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **AUDIT COMMITTEE**

The Audit Committee of the Company, comprising the Company's three independent non-executive directors (being Mr. Lam Siu Hung, Mr. Guo Guoqing and Mr. Kwok Hok Lun), has reviewed with management the unaudited consolidated interim financial information for the six months ended 30 September 2012, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

## **CORPORATE GOVERNANCE**

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 September 2012, except for the following deviations:–

### **Code Provision A.6.7**

This code provision stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Three independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 17 August 2012 (the "2012 AGM") due to their unavoidable business engagement.

## **Code Provision E.1.2**

This code provision stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Dr. Chiu Ka Leung, the Chairman of the Company, was unable to attend the 2012 AGM due to other business engagement. In view of his absence, Dr. Chiu had arranged for Dr. Lu Pingguo, the Company's executive director who is well versed in the Group's business activities and operations, to attend and chair the meeting and communicate with the shareholders. The Company Secretary and other senior management were also available to answer questions from shareholders at that meeting.

By Order of the Board  
**Chiu Ka Leung**  
*Chairman*

Hong Kong, 23 November 2012

*As at the date of this announcement, the Board comprises four executive directors, namely Dr. Chiu Ka Leung, Ms. Yeh Shu Ping, Mr. Jiao Shaoliang and Dr. Lu Pingguo, and four independent non-executive directors, namely Mr. Lam Siu Hung, Mr. Guo Guoqing, Mr. Kwok Hok Lun and Dr. Liu Zhonghua.*