

Interim Report  
2012



LongRun  
龍潤

**LONGRUN TEA GROUP COMPANY LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2898



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Dr. Chiu Ka Leung	<i>Chairman</i>
Ms. Yeh Shu Ping	<i>Vice-Chairman and Chief Executive Officer</i>
Mr. Jiao Shaoliang	<i>Executive Director</i>
Dr. Lu Pingguo	<i>Executive Director</i>
Mr. Lam Siu Hung	<i>Independent Non-executive Director</i>
Mr. Guo Guoqing	<i>Independent Non-executive Director</i>
Mr. Kwok Hok Lun	<i>Independent Non-executive Director</i>
Dr. Liu Zhonghua	<i>Independent Non-executive Director</i>

### AUDIT COMMITTEE

Mr. Lam Siu Hung	<i>Chairman</i>
Mr. Guo Guoqing	
Mr. Kwok Hok Lun	

### REMUNERATION COMMITTEE

Mr. Lam Siu Hung	<i>Chairman</i>
Dr. Chiu Ka Leung	
Ms. Yeh Shu Ping	
Mr. Guo Guoqing	
Mr. Kwok Hok Lun	
Dr. Liu Zhonghua	

### NOMINATION COMMITTEE

Dr. Chiu Ka Leung	<i>Chairman</i>
Mr. Lam Siu Hung	
Mr. Guo Guoqing	
Mr. Kwok Hok Lun	
Dr. Liu Zhonghua	

### COMPANY SECRETARY

Mr. Hui Pang To *FCCA, CPA*

### REGISTERED OFFICE

Cricket Square,  
Hutchins Drive,  
P.O. Box 2681,  
Grand Cayman KY1-1111,  
Cayman Islands.

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

14th Floor,  
Tower One,  
Ever Gain Plaza,  
No. 88 Container Port Road,  
Kwai Chung, Hong Kong.

### AUDITORS

Ernst & Young  
*Certified Public Accountants*  
22/F, CITIC Tower, 1 Tim Mei Avenue,  
Central, Hong Kong.

### LEGAL ADVISERS

#### As to Hong Kong law:

Hastings & Co.  
5/F, Gloucester Tower, The Landmark,  
11 Pedder Street, Central, Hong Kong.

#### As to Cayman Islands law:

Conyers Dill & Pearman  
Cricket Square, Hutchins Drive,  
P.O. Box 2681, Grand Cayman KY1-1111,  
Cayman Islands.

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
DBS Bank (Hong Kong) Limited  
Fubon Bank (Hong Kong) Limited  
The Bank of East Asia, Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House,  
68 Fort Street, P.O. Box 609,  
Grand Cayman KY1-1107,  
Cayman Islands.

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F, Tesbury Centre,  
28 Queen's Road East, Hong Kong.

### WEBSITE & STOCK CODE

[www.longruntea.com](http://www.longruntea.com)  
2898



## INTERIM FINANCIAL INFORMATION

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

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

Details of dividend for the period under review are disclosed in note 7 to the interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

		<b>30 September 2012 (Unaudited)</b>	31 March 2012 (Audited)
	Notes	<b>HK\$'000</b>	<b>HK\$'000</b>
<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
<b>Total non-current assets</b>		<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
<b>Total current assets</b>		<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	17(b)(i)	<b>12,030</b>	818
Due to directors	17(b)(ii)	<b>11,744</b>	7,364
Tax payable		<b>4,539</b>	17,918
<b>Total current liabilities</b>		<b>142,164</b>	100,069

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 September 2012

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



# CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to owners of the Company									
	Notes	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2012		72,451	252,153	300	4,098	22,869	68,413	420,284	(3,177)	417,107
Loss for the period		-	-	-	-	-	(3,714)	(3,714)	(3,923)	(7,637)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations		-	-	-	-	209	-	209	93	302
Total comprehensive loss for the period		-	-	-	-	209	(3,714)	(3,505)	(3,830)	(7,335)
Exercise of share options	12	25	166	-	-	-	191	191	-	191
At 30 September 2012		72,476	252,319	300	4,098	23,078	64,699	416,970	(7,007)	409,963
At 1 April 2011		72,451	252,153	300	4,098	14,699	32,385	376,086	(21)	376,065
Profit for the period		-	-	-	-	-	32,659	32,659	(466)	32,193
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations		-	-	-	-	5,365	-	5,365	(32)	5,333
Total comprehensive income for the period		-	-	-	-	5,365	32,659	38,024	(498)	37,526
At 30 September 2011		72,451	252,153	300	4,098	20,064	65,044	414,110	(519)	413,591



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<b>8,015</b>	20,331
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(67,972)</b>	(51,858)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	<b>3,269</b>	(1,494)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(56,688)</b>	(33,021)
Cash and cash equivalents at beginning of period	<b>87,811</b>	118,232
Effect of foreign exchange rate changes, net	<b>(438)</b>	4,333
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>30,685</b>	89,544
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>30,685</b>	73,700
Non-pledged time deposit with original maturity of three months or less when acquired	-	15,844
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>30,685</b>	89,544

# NOTES TO INTERIM FINANCIAL INFORMATION

30 September 2012

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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.

## 2. OPERATING SEGMENT INFORMATION (Continued)

### (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	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	26,123	23,937	120,503	186,478	146,626	210,415
Segment results	790	1,918	1,979	53,806	2,769	55,724
Reconciliation:						
Interest income					3,566	214
Corporate and other unallocated expenses					(7,812)	(7,526)
Finance costs					(281)	(237)
(Loss)/profit before tax					(1,758)	48,175

### (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
	139,055	206,578

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



### 3. OTHER INCOME AND GAINS

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) 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
	<b>11,137</b>	<b>4,051</b>
<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
	<b>(25)</b>	<b>31</b>
	<b>11,112</b>	<b>4,082</b>

### 4. FINANCE COSTS

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

## 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	–

## 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)
Total tax charge for the period	5,879	15,982

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 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) 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 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) 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 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) 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>30,857</b>	10,286

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

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

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

### Share options

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

### 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 HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	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	(780,000)	–	–
At 30 September	–	–	0.375	1,290,000

#### (b) Option agreements

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

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

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



#### 14. OPERATING LEASES COMMITMENTS

(a) **As lessor**

The Group leases part of its factory under operating lease agreements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for period rent adjustment according to the then prevailing market condition.

At 30 September 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	<b>30 September 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) HK\$'000
Within one year	<b>1,041</b>	10
In the second to fifth years, inclusive	<b>7</b>	–
	<b>1,048</b>	10

(b) **As lessee**

The Group leases certain of its office buildings in the PRC and retail shops and offices in Hong Kong under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

At 30 September 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) HK\$'000
Within one year	<b>12,323</b>	8,732
In the second to fifth years, inclusive	<b>33,009</b>	35,953
After five years	<b>48,605</b>	50,725
	<b>93,937</b>	95,410

## 15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had the following commitments at the end of the reporting period:

	<b>30 September 2012 (Unaudited) HK\$'000</b>	31 March 2012 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold improvements	<b>5,156</b>	13,108

## 16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

## 17. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions disclosed elsewhere in this interim financial information, the Group had the following material transactions with related parties during the period:

<b>Name of related parties</b>	Notes	<b>For the six months ended 30 September</b>	
		<b>2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
Purchase of tea products from:			
CLRT	(ii), (iii)	<b>29,903</b>	27,227
FLRT	(ii), (iii)	<b>7,018</b>	16,412
Yunxian Tialong Eco-Tea Company Limited (雲縣天龍 生態茶業有限責任公司)	(ii), (iii)	–	5,005
YLRT	(ii), (iii)	<b>1,351</b>	5,774
LRTG	(i), (iii)	<b>11,862</b>	45,668

## 17. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

Notes:

- (i) LRTG is beneficially owned as to 90% and 10% by Dr. Chiu Ka Leung and Mr. Jiao Shaoliang, directors of the Company, respectively.
- (ii) The companies are wholly owned subsidiaries of LRTG.
- (iii) The transactions were conducted at rates mutually agreed between the relevant parties.

The above transactions entered into by the Group during the period ended 30 September 2012 and 2011 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### (b) Outstanding balances with related companies

In addition to those balances disclosed elsewhere in this interim financial information, the Group had the following balances with related parties at the end of the reporting period:

- (i) The amounts due to related parties, 雲南龍潤藥業有限公司 (Yunnan Long Run Pharmaceuticals Company Limited (“YLRP”)) and YLRT are unsecured, interest-free and have no fixed terms of repayment. YLRP is a wholly owned subsidiary of Long Run Pharmaceuticals Group Limited, which is beneficially owned as to 90% and 10% by Dr. Chiu Ka Leung and Mr. Jiao Shaoliang, directors of the Company, respectively.
- (ii) The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

### (c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	3,070	3,070
Post-retirement benefits	48	42
	<b>3,118</b>	3,112



#### **18. FAIR VALUE AND FAIR VALUE HIERARCHY**

The carrying amounts of the Group's financial instruments as at 30 September 2012 and 31 March 2012 are approximate to their fair values.

The Group uses fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities for determining and disclosing the fair value of financial instruments. As at 30 September 2012, the Group's financial instruments which comprise of financial assets at fair value through profit or loss were measured at fair value of level 1, i.e. fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

#### **19. PLEDGE OF ASSETS**

At 30 September 2012, the Group's land and buildings with a 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.

#### **20. APPROVAL OF THE INTERIM FINANCIAL INFORMATION**

This interim financial information was approved and authorised for issue by the board of directors on 23 November 2012.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



To the board of directors of  
**Longrun Tea Group Company Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information of Longrun Tea Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 3 to 20 which comprises the condensed consolidated statement of financial position as at 30 September 2012 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Ernst & Young**  
*Certified Public Accountants*  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

23 November 2012

## 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.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 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.

#### Location of Mega Retail Outlet

#### Highlight

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.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### 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 Xiamen.

#### 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **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 (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.



## SUPPLEMENTARY INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, the interests/short positions held by the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which 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 SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

#### (A) Long Position in Ordinary Shares of the Company

Name of director	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Dr. Chiu Ka Leung	Beneficial owner	763,864,500	52.69%
Ms. Yeh Shu Ping	Beneficial owner	43,895,500	3.02%
Mr. Jiao Shaoliang	Beneficial owner	1,100,000	0.07%
Dr. Lu Pingguo	Beneficial owner	14,000,000	0.96%

## SUPPLEMENTARY INFORMATION *(Continued)*

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

#### (B) Long Position in Underlying Shares of the Company – Physically Settled Unlisted Equity Derivatives

Name of director	Capacity	Number of underlying ordinary shares	Percentage* of underlying shares over the Company's issued share capital
Ms. Yeh Shu Ping	Beneficial owner	4,000,000	0.27%

Note: Details of the above share options granted by the Company are set out in the section headed "Share options" in this interim report.

#### (C) Short Position in Underlying Shares of the Company – Physically Settled Unlisted Equity Derivatives

Name of director	Capacity	Number of underlying ordinary shares	Percentage* of underlying shares over the Company's issued share capital
Dr. Chiu Ka Leung	Beneficial owner	42,857,143	2.95%

\* The percentage represents the number of ordinary shares/underlying shares involved divided by the number of the Company's issued shares as at 30 September 2012.

In addition to the above, Dr. Chiu Ka Leung holds one ordinary share in each of the Company's indirect wholly-owned subsidiaries, namely Long Far Herbal Medicine Manufacturing (Hong Kong) Limited, International Health Association (HK) Limited, Long Far Health Products Limited and Hong Kong Health Journal Limited, in a non-beneficial capacity, solely for the purpose of complying with the then minimum company membership requirement.

## SUPPLEMENTARY INFORMATION *(Continued)*

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above and in the section headed "Share options", as at 30 September 2012, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2012, the following persons had interests/short positions of 5% or more of the issued shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### (A) Long Position in Ordinary Shares of the Company

Name	Capacity	Number of ordinary shares	Percentage* of the Company's issued share capital
Guo Jinxiu	Interest held by spouse (Note)	763,864,500	52.69%
Chen Fang	Beneficial owner	110,000,000	7.58%
徐永鋒	Beneficial owner	100,000,000	6.89%



## SUPPLEMENTARY INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

#### (B) Short Position in Underlying Shares of the Company – Physically Settled Unlisted Equity Derivatives

Name	Capacity	Number of underlying ordinary shares	Percentage* of underlying shares over the Company's issued share capital
Guo Jinxiu	Short position held by spouse (Note)	42,857,143	2.95%

Note: Guo Jinxiu, being the spouse of Dr. Chiu Ka Leung, was deemed to have such interest/short position held by Dr. Chiu Ka Leung. Such interest/short position of Dr. Chiu have been disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".

\* The percentage represents the number of ordinary shares/underlying shares involved divided by the number of the Company's issued shares as at 30 September 2012.

Save as disclosed above, as at 30 September 2012, no person, other than the Directors, whose interests/short positions are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

## SUPPLEMENTARY INFORMATION *(Continued)*

### SHARE OPTIONS

#### (A) Share Option Scheme

As set out in note 13(a) to the interim financial information, the Company currently operates the 2012 Share Option Scheme (which is made pursuant to Chapter 17 of the Listing Rules) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share option has been granted under the 2012 Share Option Scheme since its adoption on 17 August 2012.

Details of movements of the share options granted under the 2002 Share Option Scheme during the period under review were as follows:

Name or category of option holder	Number of share options					Outstanding as at 30 September 2012	Date of grant of share options	Exercise period of share options	Exercise price per share
	Outstanding as at 1 April 2012	Granted during the period	Exercised during the period (Note 1)	Lapsed during the period	Cancelled during the period				
Mr. Jiao Shaoliang, Executive Director	330,000	-	(330,000)	-	-	-	9.9.2002	See note 2 below	HK\$0.375
Employees working under continuous contracts - in aggregate	960,000	-	(180,000)	(780,000)	-	-	9.9.2002	See note 2 below	HK\$0.375
<b>Total</b>	<b>1,290,000</b>	<b>-</b>	<b>(510,000)</b>	<b>(780,000)</b>	<b>-</b>	<b>-</b>			

## **SUPPLEMENTARY INFORMATION** *(Continued)*

### **SHARE OPTIONS** *(Continued)*

#### **(A) Share Option Scheme** *(Continued)*

Notes:

1. The weighted average closing price of shares immediately before the date on which the options were exercised was HK\$0.435.
2. The exercise period is 9 years from 9 September 2003 to 8 September 2012 (a "Year" shall mean the period from 9 September to 8 September of the next year) provided that subject to the option that the grantee is entitled to exercise but has not yet exercised and the shares of the Company that may be subscribed by the grantee in respect of such unexercised options in the previous relevant Year(s), no more than 10% of the total number of shares under the options granted (the "Total Number") may be subscribed in each Year; that the remaining 10% of the Total Number may be subscribed at any time during the period commencing on 9 September 2007 to 8 September 2012; that where any part of the option has not been exercised during the relevant Year(s), the part of the option which the grantee is entitled to exercise but has not yet exercised may be carried forward and that no option can be exercised after 8 September 2012. The vesting period of the share options is from the date of grant until the commencement of the exercise period.



## SUPPLEMENTARY INFORMATION *(Continued)*

### SHARE OPTIONS *(Continued)*

#### (B) Option Agreements

On 17 May 2009, two Directors and two other employees of the Company entered into option agreements with the Company respectively, pursuant to which the Company agreed to grant to them options to subscribe for shares of the Company subject to fulfillment of the conditions under the option agreements. The options were subsequently granted on 23 July 2009.

Except for Ms. Yeh Shu Ping, Executive Director, all other three option holders have exercised their options under the said option agreements in full. Details of movement of the outstanding options during the period under review were as follows:

Name or category of option holder	Number of share options				Outstanding as at 30 September 2012	Date of grant of share options	Exercise period of share options (Note 1)	Exercise price per share
	Outstanding as at 1 April 2012	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period				
Ms. Yeh Shu Ping, Executive Director	1,500,000	-	-	-	1,500,000	23.7.2009	23.7.2009 to 23.7.2014	HK\$0.4
	2,500,000	-	-	-	2,500,000	23.7.2009	23.1.2010 to 23.7.2014	HK\$0.4
<b>Total</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>			

Notes:

1. The vesting period of the options is from the date of grant until the commencement of the exercise period.
2. The number and/or exercise price of the options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

## **SUPPLEMENTARY INFORMATION** *(Continued)*

### **AUDIT COMMITTEE**

The Audit Committee of the Company, comprising 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.

### **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.

### **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 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 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, 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.

## **SUPPLEMENTARY INFORMATION** *(Continued)*

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding directors' dealings in the Company's securities (the "Code"). All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the Code throughout the period under review.

### **COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY**

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 September 2012.

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

Hong Kong, 23 November 2012