



G-Vision International (Holdings) Limited
環 科 國 際 集 團 有 限 公 司

Stock Code : 657



2012/13

INTERIM REPORT

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

(resigned on 1 December 2012)

Meng Lingku

(resigned on 1 December 2012)

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

2 Church Street

Hamilton HM11

Bermuda

PRINCIPAL OFFICE

Units 101-108, 1st Floor

East Ocean Centre

98 Granville Road

Tsimshatsui East

Kowloon

Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group

(Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

BRANCH REGISTRAR

Computershare Hong Kong Investor Services Limited

46th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

CORPORATE WEBSITE

www.g-vision.com.hk

The Board of Directors of G-Vision International (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2012. The interim results have been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu and the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Notes	1.4.2012 to 30.9.2012 HK\$'000 (unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
Continuing operation			
Turnover	3	40,813	41,627
Other income		1,535	889
Cost of inventories consumed		(14,778)	(15,425)
Staff costs		(15,137)	(15,437)
Operating lease rentals		(7,106)	(6,621)
Depreciation		(1,331)	(1,331)
Other operating expenses		(9,025)	(8,915)
Loss for the period from continuing operation	4	(5,029)	(5,213)
Discontinued operations			
Profit for the period from discontinued operations	5	–	2,003
Loss for the period		(5,029)	(3,210)
Other comprehensive income (expense):			
Change in fair value of available-for-sale investments		198	(2,664)
Exchange differences arising from translation of foreign operations		–	(333)
Total comprehensive expense for the period		(4,831)	(6,207)

	Notes	1.4.2012 to 30.9.2012 HK\$'000 (unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
(Loss) profit for the period attributable to owners of the Company:			
– from continuing operation		(5,029)	(5,213)
– from discontinued operations		–	1,411
		<hr/>	<hr/>
Loss for the period attributable to owners of the Company		(5,029)	(3,802)
Profit for the period attributable to non-controlling interests			
– from discontinued operations		–	592
		<hr/>	<hr/>
		(5,029)	(3,210)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(4,831)	(6,799)
Non-controlling interests		–	592
		<hr/>	<hr/>
		(4,831)	(6,207)
		<hr/> <hr/>	<hr/> <hr/>
Basic loss per share	7		
– From continuing and discontinued operations		(HK0.26 cent)	(HK0.20 cent)
		<hr/> <hr/>	<hr/> <hr/>
– From continuing operation		(HK0.26 cent)	(HK0.27 cent)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 September 2012

	Notes	30.9.2012 HK\$'000 (unaudited)	31.3.2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	7,381	8,708
Available-for-sale investments	9	8,089	7,891
Property rental deposits		1,497	1,497
		<u>16,967</u>	<u>18,096</u>
Current assets			
Inventories		1,900	2,391
Trade and other receivables	10	48,288	52,881
Pledged bank deposits		1,005	1,004
Bank balances and cash		70,504	69,090
		<u>121,697</u>	<u>125,366</u>
Current liabilities			
Trade and other payables	11	6,653	6,620
Net current assets		<u>115,044</u>	<u>118,746</u>
Net assets		<u><u>132,011</u></u>	<u><u>136,842</u></u>
Capital and reserves			
Share capital	12	193,941	193,941
Reserves		(61,930)	(57,099)
Equity attributable to owners of the Company		<u>132,011</u>	<u>136,842</u>
Non-controlling interests		–	–
Total equity		<u><u>132,011</u></u>	<u><u>136,842</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	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 2011 (audited)	193,941	87,492	84,123	(277)	10,156	(2,380)	(232,084)	140,971	158,114
(Loss) profit for the year	-	-	-	-	-	-	(7,378)	(7,378)	583
Change in fair value of available-for-sale investments	-	-	-	(1,685)	-	-	-	(1,685)	-
Reclassification adjustment relating to the impairment loss available-for-sale investments	-	-	-	1,500	-	-	-	1,500	-
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(505)	-	(505)	-
Exchange differences released upon deregistration of a subsidiary	-	-	-	-	-	2,885	-	2,885	-
Total comprehensive (expense) income for the year	-	-	-	(185)	-	2,380	(7,378)	(5,183)	583
Distribution to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(17,726)
Transfer upon expiry of share option	-	-	-	-	(2,633)	-	2,633	-	-
Recognition of equity-settled share-based payments	-	-	-	-	1,054	-	-	1,054	-
At 31 March 2012 and 1 April 2012 (audited)	193,941	87,492	84,123	(462)	8,577	-	(236,829)	136,842	136,842
Loss for the period	-	-	-	-	-	-	(5,029)	(5,029)	-
Change in fair value of available-for-sale investments	-	-	-	198	-	-	-	198	-
Total comprehensive income (expense) for the period	-	-	-	198	-	-	(5,029)	(4,831)	-
Transfer upon expiry of share options	-	-	-	-	(380)	-	380	-	-
At 30 September 2012 (unaudited)	193,941	87,492	84,123	(264)	8,197	-	(241,478)	132,011	132,011

	Attributable to owners of the Company							Total	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	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 investments	-	-	-	(277)	-	-	-	(277)	-	(277)
Exchange differences 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)
Transfer upon 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	1.4.2012 to 30.9.2012 HK\$'000 (unaudited)	1.4.2011 to 30.9.2011 HK\$'000 (unaudited)
Net cash used in operating activities	(6,074)	(5,198)
Net cash from investing activities		
Settlement in other receivables	6,119	–
Interest received	1,374	374
Deposit received for disposal of investment properties	–	4,374
Purchase of property, plant and equipment	(4)	(10)
Other investing cash flows	(1)	5
	7,488	4,743
Net increase (decrease) in cash and cash equivalents	1,414	(455)
Cash and cash equivalents at beginning of the period	69,090	87,412
Cash and cash equivalents at end of the period	70,504	86,957

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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 (“Stock Exchange”) (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 methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

The application of the above amendments to 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.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
HKFRS 9	Financial instruments ²

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ³
HKAS 19 (Revised 2011)	Employee benefits ¹
HKAS 27 (Revised 2011)	Separate financial statements ¹
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ⁴
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ¹

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

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

3. SEGMENT INFORMATION

The Group was previously organised into two reportable segments: restaurant operations and property investment. During the year ended 31 March 2012, the Group's chief operating decision makers, being the executive directors, had changed the structure of its internal organisation for resources allocation and performance assessment of the Group following the disposal of the Group's investment properties. Subsequent to such changes, financial information provided to the chief operating decision makers for performance assessment and resources allocation is based on the overall operating results and position of the Group which constitute the condensed consolidated statement of comprehensive income and the condensed consolidated statement of financial position. Financial information regarding the segment for the six months ended 30 September 2012 and 2011 can be made reference to the result of continuing operation as set out in the condensed consolidated statement of comprehensive income.

4. LOSS FOR THE PERIOD FROM CONTINUING OPERATION

	1.4.2012	1.4.2011
	to	to
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000
Loss for the period from continuing operation has been arrived at after charging (crediting):		
Depreciation	1,331	1,331
Interest income	(1,374)	(374)
	_____	_____

5. DISCONTINUED OPERATIONS

In prior period, the discontinued operations comprised of property investment and environmental friendly paper tableware operations. The results of the discontinued operations, as included in the condensed consolidated statement of comprehensive income, are analysed as follows:

	1.4.2011 to 30.9.2011 HK\$'000
Other income	324
Increase in fair value of investment properties	1,707
Other operating expenses	<u>(28)</u>
Profit for the period from discontinued operations	<u>2,003</u>
Attributable to:	
Owners of the Company	1,411
Non-controlling interests	<u>592</u>
	<u>2,003</u>
Profit for the period from discontinued operations includes the following:	
Interest income	<u>2</u>
The net cash flows incurred are as follows:	
Net cash used in operating activities	(614)
Net cash from investing activities	<u>2</u>
Net cash outflows	<u>(612)</u>

6. TAXATION

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Group did not have assessable profit for both periods from its continuing operation.

7. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$5,029,000 (six months ended 30 September 2011: HK\$3,802,000) and on 1,939,414,108 shares (six months ended 30 September 2011: 1,939,414,108 shares) in issue during the period.

From continuing operation

The calculation of basic loss per share from continuing operation is based on the loss for the period attributable to owners of the Company of HK\$5,029,000 (six months ended 30 September 2011: HK\$5,213,000).

The denominators used are the same as those for calculation of basic loss per share from continuing and discontinued operations.

7. LOSS PER SHARE (continued)

From discontinued operations

Basic earnings per share for the discontinued operations during the six months ended 30 September 2011 were HK0.07 cents per share, based on the profit for the period from the discontinued operations of HK\$1,411,000 and the denominators detailed above for basic loss per share from continuing and discontinued operations.

No diluted loss per share is presented for both periods since the exercise of share options would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$4,000 mainly on the furniture and restaurant equipment for restaurant operations (six months ended 30 September 2011: HK\$10,000).

9. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2012 HK\$'000	31.3.2012 HK\$'000
Equity securities listed in Hong Kong	2,891	2,695
Debt securities listed in Hong Kong	5,198	5,196
	8,089	7,891

10. TRADE AND OTHER RECEIVABLES

Most of the restaurant customers settled 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 presented based on the invoice date at the end of the reporting period:

	30.9.2012 HK\$'000	31.3.2012 HK\$'000
0 – 60 days	1,852	1,068
More than 60 days	2	1
	1,854	1,069

Included in trade and other receivables is an amount of RMB35,152,000 (equivalent to approximately HK\$42,868,000) (31 March 2012: RMB39,520,000 (equivalent to approximately HK\$48,790,000)) resulting from disposal of investment properties located in the PRC. The amount is placed with a bank by a director according to the instruction of the Company. Pursuant to an arrangement between the director and the Group, the director is obliged to follow the instructions of the Company with respect to the disposition of such amount.

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.9.2012 HK\$'000	31.3.2012 <i>HK\$'000</i>
0 – 60 days	2,700	2,541
More than 60 days	24	30
	<u>2,724</u>	<u>2,571</u>

12. SHARE CAPITAL

	30.9.2012 & 31.3.2012 <i>HK\$'000</i>
Authorised:	
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>
Issued and fully paid:	
1,939,414,108 ordinary shares of HK\$0.1 each	<u>193,941</u>

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

13. 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.

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 1.4.2012	Expired during the period	Outstanding at 30.9.2012
2002 Scheme	17,273,610	–	17,273,610
Current Scheme	33,100,000	(1,900,000)	31,200,000
	<u>50,373,610</u>	<u>(1,900,000)</u>	<u>48,473,610</u>

13. SHARE OPTION SCHEMES *(continued)*

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

Share options amounted to HK\$380,000 were lapsed for the six months ended 30 September 2012 (six months ended 30 September 2011: HK\$535,000).

14. 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\$2,100,000 (six months ended 30 September 2011: HK\$1,700,000). At 30 September 2012, rental deposit paid to Homley amounted to HK\$1,050,000 (31 March 2012: HK\$1,050,000) 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 and beneficial owners of the ultimate holding company of the Group 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\$468,000 (six months ended 30 September 2011: HK\$438,000). At 30 September 2012, rental deposit paid to Hover City amounted to HK\$156,000 (31 March 2012: HK\$156,000) 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 and beneficial owners of the ultimate holding company of the Group are beneficially interested in Hover City.

- (c) During the period, the Group leased an office from Sky Global Investments Limited ("Sky Global"). Rentals charged by Sky Global during the period amounted to HK\$468,000. (six months ended 30 September 2011: nil). At 30 September 2012, rental deposit paid to Sky Global amounted to HK\$291,000 (31 March 2012: HK\$291,000) 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 and beneficial owners of the ultimate holding company of the Group are beneficially interested in Sky Global.

- (d) The remuneration of the Company's directors and other members of key management during the period amounted to HK\$2,031,000 (six months ended 30 September 2011: HK\$2,501,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2012, the Group recorded a consolidated turnover of approximately HK\$40.8 million, a slight decrease of approximately HK\$0.8 million or 2% compared to the last corresponding period.

The net loss for the period under review was approximately HK\$5.0 million, representing an increase of HK\$1.8 million as compared to the net loss of approximately HK\$3.2 million in the last corresponding period. The reason for the increase in net loss was due to an upward revaluation of HK\$1.7 million accounted for the investment properties in the last corresponding period whilst no such revaluation was made this year.

Review of Operations

Turnover from the restaurant operation amounted to approximately HK\$40.8 million for the period under review. The slight decrease in turnover by 2% compared to previous year was mainly attributable to more intense and competitive market condition. The negative impact on segment loss due to the decrease in turnover of approximately HK\$0.8 million and the increase in rental and other operating expenses of approximately HK\$0.6 million were partially offset by the improvement in profit margin as well as HK\$1.0 million increase in interest income. As a result, the segment loss improved slightly to approximately HK\$5.0 million from approximately HK\$5.2 million in the last corresponding period.

In 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). The sales transaction was subsequently completed in November 2011 and the Group discontinued its investment properties operation since then. Accordingly, no more adjustment on the fair value of investment properties would be accounted for in the period under review as compared to an upward revaluation of HK\$1.7 million recorded in the last corresponding period.

Liquidity and Financial Resources

The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$71.5 million as at 30 September 2012. As the Group had no bank borrowings, the Group's gearing ratio was zero as at 30 September 2012 and 31 March 2012.

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

Foreign Exchange Exposure

Most of the Group's sales, purchases, cash and bank balances were denominated in Hong Kong dollars. The Group is exposed to foreign currency risk primarily through certain bank deposits and other receivables which were denominated in Renminbi. The management would closely monitor such risk and would consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees and Remuneration Policies

The Group had approximately 167 employees as at 30 September 2012. 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 2012 (for the six months ended 30 September 2011: 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 Group will continue to implement various measures to combat against the inflationary operating costs due to higher rentals, increasing food 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");

SHARE OPTIONS (continued)

- (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).

At 30 September 2012, the number of shares in respect of which options had been granted and remained outstanding under the Schemes was 48,473,610 shares, representing 2.5% 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 1.4.2012	Expired during the period	Outstanding as at 30.9.2012
Cheng Hop Fai	16.12.2009	16.12.2009 – 15.12.2015	0.185	6,900,000	–	6,900,000
	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	5,000,000	–	5,000,000
Cheng Pak Ming, Judy	19.05.2010	19.05.2011 – 18.05.2017	0.420 ⁽¹⁾	4,250,000	–	4,250,000
Cheng Pak Man, Anita	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
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 – 30.06.2012	0.420 ⁽¹⁾⁽²⁾	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
				<u>50,373,610</u>	<u>1,900,000</u>	<u>48,473,610</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) Following Mr. Mao Jingwen's resignation as technical advisor on 1 January 2012, the corresponding 1,900,000 share options granted to him were lapsed on 30 June 2012.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2012, 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 1)</i>	1,450,037,841	74.76%
Cheng Pak Ming, Judy	Beneficiary of trusts <i>(note 1)</i>	1,450,037,841	74.76%
Cheng Pak Man, Anita	Beneficiary of trusts <i>(note 1)</i>	1,450,037,841	74.76%
Cheng Pak Lai, Lily	Beneficiary of trusts <i>(note 1)</i>	1,450,037,841	74.76%
Law Toe Ming	Interest of controlled corporation <i>(note 2)</i>	2,000,000	0.10%

Note:

- (1) Golden Toy Investments Limited ("Golden Toy") and Kong Fai International Limited ("Kong Fai") held 172,869,780 shares (or 8.91% interest) and 1,277,168,061 shares (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.
- (2) Mr. Law Toe Ming is deemed to be interested in the 2,000,000 shares held by Jubilee Trade Holdings Limited ("Jubilee") by virtue of his interest in Jubilee.

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

Save as disclosed above and in the section titled "Share Options", as at 30 September 2012, 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 2012, 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%

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.

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes: *(continued)*

- (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 2012, 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.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 (the "Code") to the Listing Rules throughout the six months ended 30 September 2012 except for Code provision A.2.1 in respect of the role separation of the chairman and the chief executive 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 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 of Directors considers that such arrangement will not result in undue concentration of power and is, at this stage, conducive to the efficient formulation and implementation of the Group's strategies thus allowing the Group to develop its business more effectively.

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

AUDIT COMMITTEE

The members of the Audit Committee are Mr. Leung Tai Chiu as the chairman, Mr. Law Toe Ming and Mr. Mark Yiu Tong, William, all are 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 2012.

REMUNERATION COMMITTEE

Pursuant to Rule 3.25, the Company has established a Remuneration Committee comprising the three INEDs, namely Mr. Law Toe Ming as the chairman, Mr. Leung Tai Chiu and Mr. Mark Yiu Tong, William as members. 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.

NOMINATION COMMITTEE

Pursuant to Code provision A.5.1, the Company has established a Nomination Committee comprising Mr. Cheng Hop Fai as the chairman and the two INEDs namely Mr. Law Toe Ming and Mr. Mark Yiu Tong, William as members. The terms of reference of the Nomination Committee are consistent with the Code provisions. New directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board having regard to the individuals' skills, experience, professional knowledge and time commitments as well as the balance of skills and experience appropriate to the Company's business, are identified and submitted to the Board or shareholder for approval either to fill vacancies on the Board of Directors or to be appointed as additional directors.

SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors by the Company, the Company confirmed that all directors have complied with the required standards as set out in the Model Code during the six months ended 30 September 2012.

CHANGE IN DIRECTORS

Resignation of Non-Executive Directors

The Board of Directors announces that Mr. Dong Demao ("Mr. Dong") and Mr. Meng Lingku ("Mr. Meng") had tendered their resignation as non-executive directors of the Company with effect from 1 December 2012 due to their other personal commitments which require more of their attention. Mr. Dong remains as technical advisor of the Company.

Mr. Dong and Mr. Meng have confirmed that they had no disagreement with the Board of Directors and there was no matter in relation to their resignation that needed to be brought to the attention of the shareholders of the Company.

The Board of Directors would like to express its appreciation for Mr. Dong's and Mr. Meng's valuable contribution to the Company.

By Order of the Board
Cheng Hop Fai
Chairman

Hong Kong, 26 November 2012