



LongRun  
龍潤

**LONGRUN TEA GROUP COMPANY LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2898



Interim Report 2013

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Dr. Chiu Ka Leung *Chairman*  
Ms. Yeh Shu Ping *Vice-chairman and  
Chief Executive  
Officer*

Mr. Jiao Shaoliang  
Dr. Lu Pingguo

#### Independent Non-executive Directors

Mr. Lam Siu Hung  
Mr. Guo Guoqing  
Mr. Kwok Hok Lun  
Dr. Liu Zhonghua

### AUDIT COMMITTEE

Mr. Lam Siu Hung *Chairman*  
Mr. Guo Guoqing  
Mr. Kwok Hok Lun

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

Dr. Chiu Ka Leung *Chairman*  
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

Room 3007A-B,  
Cable TV Tower,  
9 Hoi Shing Road, Tsuen Wan,  
New Territories, 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

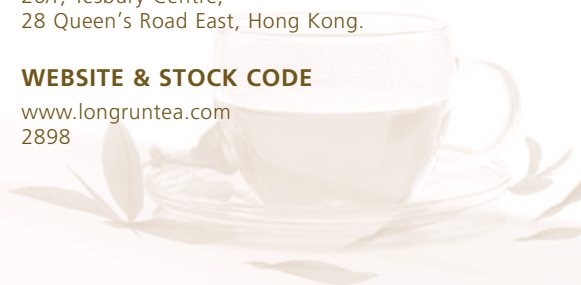
Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House,  
24 Shedden Road, George Town,  
Grand Cayman KY1-1110,  
Cayman Islands.

### 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  
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 2013, together with the comparative figures for the corresponding period in 2012, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2013

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Unaudited)
	Notes	<b>HK\$'000</b>	HK\$'000
REVENUE	2	<b>126,060</b>	139,055
Cost of sales		<b>(78,739)</b>	(77,158)
Gross profit		<b>47,321</b>	61,897
Other income and gains	3	<b>2,663</b>	11,112
Gain on disposal of property, plant and equipment, net		<b>68,591</b>	–
Selling and distribution expenses		<b>(47,113)</b>	(50,580)
Administrative expenses		<b>(50,258)</b>	(22,866)
Other expenses		<b>(75)</b>	(1,040)
Finance costs	4	<b>(114)</b>	(281)
PROFIT/(LOSS) BEFORE TAX	5	<b>21,015</b>	(1,758)
Income tax expense	6	<b>(679)</b>	(5,879)
PROFIT/(LOSS) FOR THE PERIOD		<b>20,336</b>	(7,637)
Attributable to:			
Owners of the Company		<b>20,336</b>	(3,714)
Non-controlling interests		–	(3,923)
		<b>20,336</b>	(7,637)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		<b>HK1.40 cents</b>	(HK0.26 cent)
– Diluted		<b>HK1.40 cents</b>	(HK0.26 cent)

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	20,336	(7,637)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	3,956	302
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	3,956	302
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>24,292</b>	<b>(7,335)</b>
Total comprehensive income/(loss) attributable to:		
Owners of the Company	24,292	(3,505)
Non-controlling interests	-	(3,830)
	<b>24,292</b>	<b>(7,335)</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2013

		<b>30 September 2013 (Unaudited) <i>HK\$'000</i></b>	31 March 2013 (Audited) <i>HK\$'000</i>
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>72,997</b>	70,224
Prepaid land lease payments		<b>5,641</b>	5,617
Intangible assets		<b>27,510</b>	29,952
Goodwill		<b>116,920</b>	116,920
Deferred tax assets		<b>240</b>	240
<b>Total non-current assets</b>		<b>223,308</b>	222,953
<b>CURRENT ASSETS</b>			
Properties classified as held for sale	10	<b>512</b>	24,459
Inventories		<b>29,040</b>	25,837
Trade receivables	11	<b>44,659</b>	37,556
Prepayments, deposits and other receivables		<b>16,523</b>	19,221
Financial assets at fair value through profit or loss		<b>165</b>	333
Time deposits with original maturity of more than three months		<b>179,461</b>	96,305
Cash and cash equivalents		<b>75,092</b>	134,382
<b>Total current assets</b>		<b>345,452</b>	338,093
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>26,625</b>	25,812
Other payables and accruals		<b>52,968</b>	57,599
Interest-bearing bank and other borrowings		<b>255</b>	11,868
Due to related companies	18(b)(i)	<b>1,403</b>	3,607
Due to directors	18(b)(ii)	<b>18,386</b>	16,541
Tax payable		<b>3,729</b>	7,040
<b>Total current liabilities</b>		<b>103,366</b>	122,467

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

30 September 2013

	Notes	30 September 2013 (Unaudited) <i>HK\$'000</i>	31 March 2013 (Audited) <i>HK\$'000</i>
NET CURRENT ASSETS		<b>242,086</b>	215,626
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>465,394</b>	438,579
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		<b>372</b>	439
Deferred income		<b>3,193</b>	–
Deferred tax liabilities		<b>7,466</b>	8,069
Total non-current liabilities		<b>11,031</b>	8,508
Net assets		<b>454,363</b>	430,071
EQUITY			
<b>Equity attributable to owners of the Company</b>			
Issued capital	13	<b>72,476</b>	72,476
Reserves		<b>381,887</b>	357,595
Total equity		<b>454,363</b>	430,071



## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company								
	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 2013	72,476	252,319*	300*	4,098*	26,068*	74,810*	430,071	-	430,071
Profit for the period	-	-	-	-	-	20,336	20,336	-	20,336
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	3,956	-	3,956	-	3,956
Total comprehensive income for the period	-	-	-	-	3,956	20,336	24,292	-	24,292
At 30 September 2013	72,476	252,319*	300*	4,098*	30,024*	95,146*	454,363	-	454,463
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	25	166	-	-	-	-	191	-	191
At 30 September 2012	72,476	252,319	300	4,098	23,078	64,699	416,970	(7,007)	409,963

\* These reserve accounts comprise the consolidated reserves of HK\$381,887,000 (31 March 2013: HK\$357,595,000) in the condensed consolidated statement of financial position.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 September 2013

	For the six months ended 30 September	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	<b>(47,530)</b>	8,015
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(4,661)</b>	(67,972)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	<b>(9,949)</b>	3,269
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(62,140)</b>	(56,688)
Cash and cash equivalents at beginning of period	<b>134,382</b>	87,811
Effect of foreign exchange rate changes, net	<b>2,850</b>	(438)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>75,092</b>	30,685
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>75,092</b>	30,685
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>75,092</b>	30,685



## NOTES TO INTERIM FINANCIAL INFORMATION

30 September 2013

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

The condensed consolidated interim financial information for the six months ended 30 September 2013 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 March 2013. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements for the year ended 31 March 2013, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Company and the Group has adopted 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 – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	Amendments to a number of HKFRSs issued in June 2012
<i>Annual Improvements 2009-2011 Cycle</i>	

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

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a potential impact on its results of operations and financial position.

## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that interest income, finance costs, dividend income, gain on disposal of property, plant and equipment, fair value losses 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	26,786	26,039	99,274	113,016	126,060	139,055
Other revenue	265	84	669	7,487	934	7,571
<b>Total</b>	<b>27,051</b>	<b>26,123</b>	<b>99,943</b>	<b>120,503</b>	<b>126,994</b>	<b>146,626</b>
Segment results	(516)	790	(14,185)	1,979	(14,701)	2,769
Reconciliation:						
Interest income					1,582	3,566
Gain on disposal of property, plant and equipment					68,591	-
Dividend income and other unallocated gains					171	-
Corporate and other unallocated expenses					(34,514)	(7,812)
Finance costs					(114)	(281)
<b>Profit/(loss) before tax</b>					<b>21,015</b>	<b>(1,758)</b>



2. OPERATING SEGMENT INFORMATION *(Continued)*

## (b) Geographical information

Revenue from external customers:

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The People's Republic of China (the "PRC"), excluding Hong Kong	120,510	133,357
Hong Kong	4,704	5,484
Elsewhere in Asia	846	214
	126,060	139,055

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

## 3. OTHER INCOME AND GAINS

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Other income</b>		
Interest income	1,582	3,566
Franchise income	477	5,444
Commission income	–	1,858
Others	628	269
	2,687	11,137
<b>Gains</b>		
Fair value loss on financial assets at fair value through profit or loss	(24)	(25)
	2,663	11,112

## 4. FINANCE COSTS

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	92	250
Interest on finance leases	22	31
	114	281

## 5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	78,525	77,515
Amortisation of intangible assets	2,442	3,012
Depreciation	8,245	4,690
Recognition of prepaid land lease payments	70	70
Write-down/(write-back) of provision of inventories to net realisable value	198	(425)
Impairment of trade receivables, net	933	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 2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended	
	30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current – Mainland China		
Charge for the year	1,925	6,489
Overprovision in prior years	(636)	–
Deferred tax credit	(610)	(610)
<b>Total tax charge for the period</b>	<b>679</b>	<b>5,879</b>

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.

In accordance with the relevant tax rules and regulations in Mainland China, a subsidiary of the Company in Mainland China enjoying tax benefit as follows:

Yunnan Longrun Tea Technology Company Limited (“YNLR”), a subsidiary of the Company in PRC, was assessed as High and New Technology Enterprise which is subject to a reduced preferential corporate income tax (“CIT”) rate of 15% for a 3-year period from 2012 to 2014 according to the applicable PRC Corporate Income Tax Law.

## 7. INTERIM DIVIDEND

The Directors did not propose to declare any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company of profit of HK\$20,336,000 (six months ended 30 September 2012: loss of HK\$3,714,000) and the weighted average of 1,449,520,000 (six months ended 30 September 2012: 1,449,197,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2013 (six months ended 30 September 2012: basic loss per share) in respect of a dilution as the impact of the share options outstanding, where applicable, during the period had no dilutive effect (six months ended 30 September 2012: no dilutive effect) on the basis earnings/(loss) per share amounts presented.

**9. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group acquired property, plant and equipment of HK\$10,144,000 (six months ended 30 September 2012: HK\$18,320,000).

**10. PROPERTIES CLASSIFIED AS HELD FOR SALE**

During the period, the Group disposed of properties classified as held for sale with an aggregate net book value of HK\$23,947,000 (six months ended 30 September 2012: Nil). At the end of the reporting period, the Group's properties classified as held for sale with carrying amount of HK\$512,000 are situated in Hong Kong and are held under medium leases.

**11. TRADE RECEIVABLES**

The Group allows an average credit period ranging from 30 days to 180 days to its customers. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	<b>30 September 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Within 1 month	<b>20,284</b>	24,898
2 to 3 months	<b>16,756</b>	10,986
4 to 12 months	<b>6,434</b>	1,428
Over 12 months	<b>1,185</b>	244
	<b>44,659</b>	37,556



**12. TRADE PAYABLES**

The trade payables are non-interest-bearing and are normally settled in 90-day terms.

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

	<b>30 September 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Within 1 to 3 months	<b>7,016</b>	1,562
4 to 12 months	<b>16,191</b>	22,610
Over 12 months	<b>3,418</b>	1,640
	<b>26,625</b>	25,812

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

	<b>30 September 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Changning Longrun Tea Company Limited ("CLRT") 昌寧縣龍潤茶業有限公司	<b>3,126</b>	798
Fengqing Longrun Tea Company Limited ("FLRT") 鳳慶龍潤茶業有限公司	<b>1,920</b>	824
Yunnan Longrun Tea Group Limited ("LRTG") 雲南龍潤茶業集團有限公司	<b>4,077</b>	10,791
Yunnan Longrun Tea Development Company Limited ("YLRT") 雲南龍潤茶業發展有限公司	<b>1,297</b>	2,412
	<b>10,420</b>	14,825

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.



### 13. SHARE CAPITAL

	<b>30 September 2013 (Unaudited) HK\$'000</b>	31 March 2013 (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 ordinary shares of HK\$0.05 each	<b>72,476</b>	72,476

#### Share options

Details of the Company's share option scheme and the share options issued are included in note 14 to the interim financial information.

### 14. EQUITY COMPENSATION PLANS

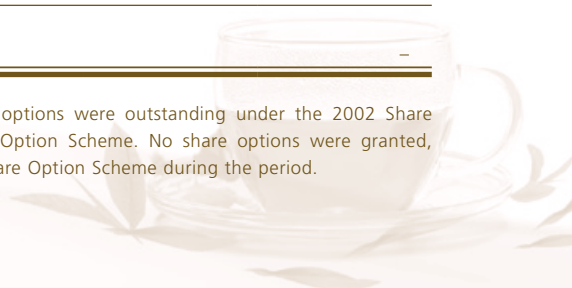
#### (a) Share Option Scheme

On 17 August 2012, the Company passed a resolution at its annual general meeting for the adoption of a new share option scheme (the "2012 Share Option Scheme") as the Company's share option scheme adopted in 2002 (the "2002 Share Option Scheme") expired on 4 September 2012. The 2012 Share Option Scheme became effective on 17 August 2012 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date. Details of the terms of the share option scheme were disclosed in the Annual Report of the Company for the year ended 31 March 2013.

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

	2012 Weighted average exercise price HK\$ per share	Number of options
At 1 April	0.375	1,290,000
Exercised during the period	0.375	(510,000)
Lapsed during the period	0.375	(780,000)
At 30 September		-

As at 30 September 2013, 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 period.



**14. EQUITY COMPENSATION PLANS** *(Continued)***(b) Option agreements**

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

	2013		2012	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options	Weighted average exercise price <i>HK\$ per share</i>	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.

**15. 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 ten 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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 September 2013 (Unaudited) <i>HK\$'000</i>	31 March 2013 (Audited) <i>HK\$'000</i>
Within one year	18	23
In the second to fifth years, inclusive	624	530
	<b>642</b>	<b>553</b>

**15. OPERATING LEASES COMMITMENTS** *(Continued)*

**(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 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Within one year	<b>10,279</b>	9,889
In the second to fifth years, inclusive	<b>23,615</b>	24,200
After five years	<b>52,786</b>	53,961
	<b>86,680</b>	88,050

**16. COMMITMENTS**

In addition to the operating lease commitments detailed in note 15 above, the Group had the following commitments at the end of the reporting period:

	<b>30 September 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold improvements	<b>543</b>	1,413

**17. CONTINGENT LIABILITIES**

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



**18. 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:

Name of related parties	Notes	For the six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Purchase of tea products from:			
CLRT	(ii), (iii)	3,596	29,903
FLRT	(ii), (iii)	2,987	7,018
YLRT	(ii), (iii)	2,803	1,351
LRTG	(i), (iii)	52,824	11,862

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 2013 and 2012 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

**18. RELATED PARTY TRANSACTIONS** *(Continued)***(c) Compensation of key management personnel of the Group**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>29,470</b>	3,070
Post-retirement benefits	<b>51</b>	48
Total compensation paid to key management personnel	<b>29,521</b>	3,118

**19. FAIR VALUE AND FAIR VALUE HIERARCHY**

The carrying amounts of the Group's financial instruments as at 30 September 2013 and 31 March 2013 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 2013, the Group's financial instruments which comprise of financial assets at fair value through profit or loss was measured at fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 under the fair value hierarchy).

**20. PLEDGE OF ASSETS**

At 30 September 2013, the Group did not pledge any land and buildings to secure its banking facilities granted to the Group (31 March 2013: HK\$24,459,000).

**21. APPROVAL OF THE INTERIM FINANCIAL INFORMATION**

This interim financial information was approved and authorised for issue by the board of directors on 22 November 2013.



# 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 2013 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and comprehensive income, the condensed consolidated summary statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other 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 and 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 condensed consolidated financial information are 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

22 November 2013



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the six months ended 30 September 2013, the revenue of the Group decreased by approximately 9.3% to approximately HK\$126,060,000 (six months ended 30 September 2012: HK\$139,055,000). The gross profit of the Group decreased by approximately 23.5% to approximately HK\$47,321,000 (six months ended 30 September 2012: HK\$61,897,000).

Administrative expenses of the Group increased by 120% from approximately HK\$22,866,000 for the six months ended 30 September 2012 to HK\$50,258,000 for the six months ended 30 September 2013. The increase in such administrative expenses was mainly resulted from the Group's payment of a one-off special bonus of approximately HK\$26,000,000 to certain directors and management, for their contribution on the sale of the Group's property located at 14th Floor, Tower One, Ever Gain Plaza, 88 Container Port Road, Kwai Chung, New Territories, Hong Kong.

Profit for the period was approximately HK\$20,336,000 (six months ended 30 September 2012: loss of HK\$7,637,000). Profit attributable to owners of the Company amounted to approximately HK\$20,336,000 (six months ended 30 September 2012: loss of HK\$3,714,000). Despite the decrease in revenue and gross profit and the increase in administrative expenses, the Group recorded a profit in the first half due to the one-off income arising from the said disposal of commercial property in Hong Kong in July 2013.

### 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. The Group continued to expand its distribution network during the period.

For the period under review, there was deterioration in the operating results of the Group's tea and other food businesses as compared to the corresponding period for 2012. Such deterioration was mainly attributable to the slowdown of the economic development in the PRC. The effects of macroeconomic depression and various austerity measures implemented by the PRC government had also affected the general spending sentiment and confidence of consumer market in the PRC.

Revenue for the period from tea and other food products businesses was approximately HK\$99,274,000 (six months ended 30 September 2012: HK\$113,016,000), accounting for approximately 78.8% (six months ended 30 September 2012: 81.3%) of the Group's total revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### Tea Shops

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 traditional tea shops. The convenient tea shops, mostly located close to business centres and office buildings, primarily sell and distribute convenient tea products for office use, such as convenient tea-cups, instant tea essence and tea bags. For the six months ended 30 September 2013, the Group has devoted much of its resources to strengthening the distribution network, such as offering special incentive discounts and better support services to new franchisees. As at 30 September 2013, the Group managed a network of over 400 self-owned and franchised tea shops and convenient tea shops (as at 31 March 2013: over 200) primarily in Mainland China. Although rapid expansion of the franchise network has brought pressure on the Group's margin, the Group believes that network expansion will enhance brand and product recognitions in the PRC which the Group will be benefited in the medium term.

#### Mega Retail Outlets Targeting Tourists

Besides the traditional tea shops, the Group also focuses on the tourist market. The Group has opened mega-retail outlets targeting both domestic and international tourists travelling to Yunnan Province. The Group now operates 4 mega retail outlets in Kunming, Yunnan Province with a gross total area over 80,000 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
Kunming World Horticultural Expo Garden (昆明世界園藝博覽園)	A must-see tourist attraction in Kunming
Yunnan Nationalities Village (雲南民族村)	25 ethnic minorities living in Yunnan Province
Lijiang City (麗江市)	The world famous "Old Town of Lijiang" which is an UNESCO Heritage Site



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

#### Award

In October 2013, Longrun Tea was awarded “Hong Kong Star Brand 2013 – Enterprises Award” by Hong Kong Small and Medium Enterprises Association in recognition of Longrun Tea’s corporate social responsibility and its contribution to sustainable social development.

#### 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 a steady contribution. Revenue from this division was approximately HK\$26,786,000 for the period under review (six months ended 30 September 2012: HK\$26,039,000), accounting for approximately 21.2% (six months ended 30 September 2012: 18.7%) 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 2012: 3.9%) of the total turnover during the period under review.

### PROSPECTS

The business environment of the Group remained extremely difficult in the first half of 2013. As economic instability has not yet been eliminated, the weak spending sentiment and low consumer confidence continue to affect domestic consumption in the PRC.

The Group expects that the operating environment for the second half will remain competitive and difficult. Amid this challenging business environment in the retail market, the Group will continue to strengthen its existing distribution network and to explore new sales channels and platforms to reach different types of customers. In the meantime, the Group will continue to closely monitor its cost structure and to formulate business strategies to enhance its operational efficiency.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### LIQUIDITY AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital. As at 30 September 2013, the Group had current assets of HK\$345,452,000 (31 March 2013: HK\$338,093,000) and cash and bank balances of HK\$254,553,000 (31 March 2013: HK\$230,687,000). The Group's current liabilities as at 30 September 2013 were HK\$103,366,000 (31 March 2013: HK\$122,467,000).

As at 30 September 2013, total equity was HK\$454,363,000 (31 March 2013: HK\$430,071,000). The Group had interest-bearing bank and other borrowings of HK\$627,000 as at 30 September 2013 (31 March 2013: HK\$12,307,000). The gearing ratio as at 30 September 2013, being the ratio of total liabilities to total equity, was 25.2% (31 March 2013: 30.5%).

### EMPLOYEES

As at 30 September 2013, the Group had 826 employees (31 March 2013: 792 employees). The Group recorded staff costs of approximately HK\$22,025,000.

Remuneration policy and package 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 bonus to its employees.

### CONTINGENT LIABILITIES

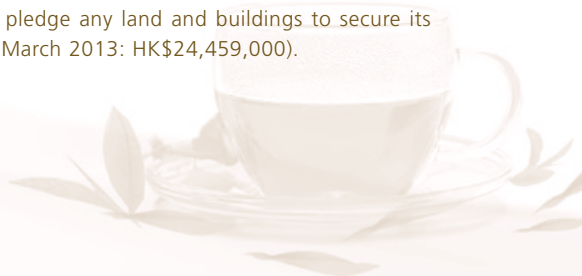
As at 30 September 2013, the Group did not have any significant contingent liabilities.

### EXCHANGE RISK

The Group's revenues and costs are mainly denominated in Renminbi. Since the Group mostly transacted using the same currency as the purchase currency, the Group does not foresee substantial risks from foreign currency exposure arising from Renminbi in this regard.

### PLEDGE OF THE GROUP'S ASSETS

At 30 September 2013, the Group did not pledge any land and buildings to secure its banking facilities granted to the Group (31 March 2013: HK\$24,459,000).



## SUPPLEMENTARY INFORMATION

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

As at 30 September 2013, the interests/short positions held by the directors and chief executive of the Company 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 <sup>a</sup> of the Company's issued share capital
Dr. Chiu Ka Leung	Beneficial owner	767,374,500	52.93%
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	16,880,000	1.16%

#### (B) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying ordinary shares	Percentage <sup>a</sup> of 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.

**SUPPLEMENTARY INFORMATION** *(Continued)***DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(Continued)***(C) Short position in underlying shares of the Company – physically settled unlisted equity derivatives**

<u>Name of director</u>	<u>Capacity</u>	<u>Number of underlying ordinary shares</u>	<u>Percentage* of underlying shares over the Company's issued share capital</u>
Dr. Chiu Ka Leung	Beneficial owner	109,523,810	7.55%

\* 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 2013.

In addition to the above, Dr. Chiu Ka Leung holds one ordinary share in each of 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 all cases in trust for Long Far Pharmaceutical (BVI) Limited and all of which are indirect wholly-owned subsidiaries of the Company) in a non-beneficial capacity, solely for the purpose of complying with the then minimum company membership requirement.

Save as disclosed above and in the section headed "Share options", as at 30 September 2013, none of the directors or chief executive of the Company had registered an interest or a short position in the shares, 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.



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

As at 30 September 2013, the following persons/corporations 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 or as the Company is aware:

**(A) Long position in ordinary shares of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Percentage<sup>+</sup> of the Company's issued share capital</b>
Guo Jinxiu	Interest held by spouse (Note 1)	767,374,500	52.93%
Chen Fang	Beneficial owner	110,000,000	7.58%
徐永鋒	Beneficial owner	100,000,000	6.89%

**(B) Short position in underlying shares of the Company – physically settled unlisted equity derivatives**

<b>Name</b>	<b>Capacity</b>	<b>Number of underlying ordinary shares</b>	<b>Percentage<sup>+</sup> of underlying shares over the Company's issued share capital</b>
Guo Jinxiu	Short position held by spouse (Note 1)	109,523,810	7.55%

**SUPPLEMENTARY INFORMATION** *(Continued)***SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(Continued)***(C) Long position in underlying shares of the Company – physically settled unlisted equity derivatives**

<b>Name</b>	<b>Capacity</b>	<b>Number of underlying ordinary shares</b>	<b>Percentage* of underlying shares over the Company's issued share capital</b>
China Construction Bank Corporation	Interest of controlled corporations (Note 2)	109,523,810	7.55%
Central Huijin Investment Ltd	Interest of controlled corporations (Note 2)	109,523,810	7.55%

## Notes:

- 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 has been disclosed in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- These shares were held by CCBI Cement Private Equity Limited, a wholly-owned subsidiary of CCBI Investments Limited, which in turn was a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited was a wholly-owned subsidiary of CCB Financial Holdings Limited, which in turn was a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited was a wholly-owned subsidiary of China Construction Bank Corporation, which in turn was owned as to 57.15% by Central Huijin Investment Ltd.

Accordingly, China Construction Bank Corporation and Central Huijin Investment Ltd were deemed to be interested in these underlying shares held by CCBI Cement Private Equity Limited pursuant to the SFO.

\* 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 2013.



## SUPPLEMENTARY INFORMATION *(Continued)*

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

Save as disclosed above, as at 30 September 2013, 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.

### SHARE OPTIONS

#### (A) Share option scheme

As set out in note 14(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.

The remaining outstanding share options under the 2002 Share Option Scheme were exercised/lapsed in September 2012. Accordingly, as at 30 September 2013, no share options were outstanding under the 2002 Share Option Scheme and the 2012 Share Option Scheme.

#### (B) Option agreements

On 17 May 2009, two Directors and two other employees of the Company entered into option agreements with the Company, pursuant to which the Company agreed to grant to each of them an option 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.



## SUPPLEMENTARY INFORMATION *(Continued)*

### SHARE OPTIONS *(Continued)*

#### (B) Option agreements *(Continued)*

Details of movements of the options granted pursuant to the above option agreements during the period under review were as follows:

Name or category of option holder	Number of share options				Outstanding as at 30 September 2013	Date of grant of share options	Exercise period of share options (Note 1)	Exercise price per share
	Outstanding as at 1 April 2013	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.

### 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 and results of the Group for the six months ended 30 September 2013, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.



## SUPPLEMENTARY INFORMATION *(Continued)*

### **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 Listing Rules during the six months ended 30 September 2013, 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. The Company's four independent non-executive directors were unable to attend the Company's extraordinary general meeting held on 5 April 2013 and annual general meeting held on 28 August 2013 (the "2013 AGM") due to other business engagements.

#### **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 2013 AGM due to another business engagement. In view of his absence, Dr. Chiu had arranged for Dr. Lu Pingguo, an 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's senior management was 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 possess inside 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 2013.

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

Hong Kong, 22 November 2013

