



Interim Report
2016/17



G-Vision International (Holdings) Limited
環科國際集團有限公司

Stock Code : 657

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Cheng Hop Fai

(Chairman and Managing Director)

Zhang Yunkun

Cheng Pak Ming, Judy

Cheng Pak Man, Anita

Cheng Pak Lai, Lily

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

AUDITOR

Deloitte Touche Tohmatsu

HONG KONG LEGAL ADVISERS

Minter Ellison

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

REGISTERED OFFICE

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2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 108, 1st Floor

East Ocean Centre

98 Granville Road

Tsimshatsui East

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda)
Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

46th Floor

Hopewell Centre

183 Queen's Road East

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CORPORATE WEBSITE

www.g-vision.com.hk

The board of directors of G-Vision International (Holdings) Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016, together with the comparative results. The condensed consolidated interim results have not been audited, but have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, and the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	NOTES	1.4.2016 to 30.9.2016 HK\$'000 (unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (unaudited)
Revenue		40,964	42,103
Other income and other gains and losses		848	(349)
Cost of inventories consumed		(13,242)	(13,859)
Staff costs		(16,278)	(16,688)
Operating lease rentals		(8,321)	(7,863)
Depreciation		(17)	(624)
Other operating expenses		(10,215)	(9,601)
Loss for the period attributable to owners of the Company	4	(6,261)	(6,881)
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale investments		47	(321)
Reclassification to profit or loss upon disposal of available-for-sale investments		89	24
Reclassification adjustment relating to impairment loss on available-for-sale investments		507	–
Other comprehensive income (expense) for the period		643	(297)
Total comprehensive expense for the period attributable to owners of the Company		(5,618)	(7,178)
Loss per share (basic and diluted)	6	(HK0.32 cent)	(HK0.35 cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	NOTES	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	125	91
Available-for-sale investments	8	1,177	3,538
Property rental deposits		3,866	4,916
		5,168	8,545
Current assets			
Inventories		1,602	1,459
Trade and other receivables	9	2,659	13,833
Available-for-sale investments	8	3,395	2,163
Investments in certificates of deposit		–	5,866
Pledged bank deposits		413	1,012
Short-term bank deposits			
– with original maturity over three months		70,972	33,507
– with original maturity within three months		9,600	27,739
Bank balances and cash		15,873	21,194
		104,514	106,773
Current liabilities			
Trade and other payables	10	7,500	7,518
Net current assets		97,014	99,255
Net assets		102,182	107,800
Capital and reserves			
Share capital	11	194,631	194,631
Reserves		(92,449)	(86,831)
Total equity		102,182	107,800

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	193,941	87,492	84,123	(270)	6,186	(255,272)	116,200
Loss for the year	-	-	-	-	-	(9,304)	(9,304)
Change in fair value of available-for-sale investments	-	-	-	(435)	-	-	(435)
Reclassification to profit or loss upon disposal of available-for-sale investments	-	-	-	62	-	-	62
Total comprehensive expense for the year	-	-	-	(373)	-	(9,304)	(9,677)
Issue of new shares upon exercise of share options	690	1,302	-	-	(715)	-	1,277
At 31 March 2016 and 1 April 2016 (audited)	194,631	88,794	84,123	(643)	5,471	(264,576)	107,800
Loss for the period	-	-	-	-	-	(6,261)	(6,261)
Change in fair value of available-for-sale investments	-	-	-	47	-	-	47
Reclassification to profit or loss upon disposal of available-for-sale investments	-	-	-	89	-	-	89
Impairment loss on available-for-sale investments	-	-	-	507	-	-	507
Total comprehensive income (expense) for the period	-	-	-	643	-	(6,261)	(5,618)
At 30 September 2016 (unaudited)	194,631	88,794	84,123	-	5,471	(270,837)	102,182
At 1 April 2014 (audited)	193,941	87,492	84,123	219	6,186	(250,559)	121,402
Loss for the year	-	-	-	-	-	(4,713)	(4,713)
Change in fair value of available-for-sale investments	-	-	-	(195)	-	-	(195)
Reclassification to profit or loss upon disposal of available-for-sale investments	-	-	-	(294)	-	-	(294)
Total comprehensive expense for the year	-	-	-	(489)	-	(4,713)	(5,202)
At 31 March 2015 and 1 April 2015 (audited)	193,941	87,492	84,123	(270)	6,186	(255,272)	116,200
Loss for the period	-	-	-	-	-	(6,881)	(6,881)
Change in fair value of available-for-sale investments	-	-	-	(321)	-	-	(321)
Reclassification to profit or loss upon disposal of available-for-sale investments	-	-	-	24	-	-	24
Total comprehensive expense for the period	-	-	-	(297)	-	(6,881)	(7,178)
At 30 September 2015 (unaudited)	193,941	87,492	84,123	(567)	6,186	(262,153)	109,022

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	1.4.2016 to 30.9.2016 HK\$'000 (unaudited)	1.4.2015 to 30.9.2015 HK\$'000 (unaudited)
Net cash used in operating activities	(4,390)	(9,277)
Net cash from (used in) investing activities		
Withdrawal of short-term bank deposits with original maturity over three months	36,435	11,598
Settlement of other receivables	10,013	–
Withdrawal of investments in certificates of deposit	5,866	2,500
Proceeds from disposal of available-for-sale investments	1,176	7,445
Interest received	792	1,149
Withdrawal of pledged bank deposit	599	–
Placement of short-term bank deposits with original maturity over three months	(73,900)	(19,616)
Purchase of property, plant and equipment	(51)	(60)
Purchase of available-for-sale investments	–	(7,809)
Investments in certificates of deposit	–	(6,010)
Other investing cash flows	–	(1)
	(19,070)	(10,804)
Net decrease in cash and cash equivalents	(23,460)	(20,081)
Cash and cash equivalents at beginning of the period	48,933	37,326
Cash and cash equivalents at end of the period	25,473	17,245
Analysis of balances of cash and cash equivalents		
Bank balances and cash	15,873	14,176
Short-term bank deposits with original maturity within three months	9,600	3,069
	25,473	17,245

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have 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”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (“the Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale investments, 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

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 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

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

3. SEGMENT INFORMATION

Financial information provided to the chief operating decision makers, being the executive directors, 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 profit or loss and other comprehensive income and the condensed consolidated statement of financial position. Financial information regarding the segment for the six months ended 30 September 2016 and 2015 can be made with reference to the results as set out in the condensed consolidated statement of profit or loss and other comprehensive income.

4. LOSS FOR THE PERIOD

	1.4.2016 to 30.9.2016 HK\$'000	1.4.2015 to 30.9.2015 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation	17	624
Impairment loss recognised on available-for-sale investments (included in other operating expenses)	507	–
Interest income from		
– Available-for-sale investments	(71)	(280)
– Others	(721)	(1,528)
Net exchange loss	562	2,132

5. 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.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company of HK\$6,261,000 (six months ended 30 September 2015: HK\$6,881,000) and on 1,946,314,108 shares (six months ended 30 September 2015: 1,939,414,108 shares) in issue during the period.

The calculation of diluted loss per share for both periods does not assume the exercise of share options as their assumed exercise would result in a decrease in loss per share.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group incurred HK\$51,000 (six months ended 30 September 2015: HK\$60,000) mainly on furniture and restaurant equipment for the restaurant operations.

8. AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2016 HK\$'000	31.3.2016 <i>HK\$'000</i>
At fair value:		
Equity securities listed in Hong Kong	1,112	957
Debt securities listed in Hong Kong	<u>3,460</u>	<u>4,744</u>
	<u>4,572</u>	<u>5,701</u>
Analysed for reporting purposes as		
Current assets	3,395	2,163
Non-current assets	<u>1,177</u>	<u>3,538</u>
	<u>4,572</u>	<u>5,701</u>

9. TRADE AND OTHER RECEIVABLES

Most of the restaurant customers settle in cash and credit cards. The Group allows an average credit period of 60 days to other trade customers including travel agencies.

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

	30.9.2016 HK\$'000	31.3.2016 <i>HK\$'000</i>
0 – 60 days	556	530
61 – 90 days	<u>–</u>	<u>2</u>
	<u>556</u>	<u>532</u>

Included in trade and other receivables as at 31 March 2016 was an aggregate sum of RMB9,850,000 (equivalent to approximately HK\$11,727,000) resulting from the disposal of investment properties located in the People's Republic of China during the year ended 31 March 2012. The balance as at 31 March 2016 was placed with a bank by two directors of the Company under an arrangement that the directors shall follow the instructions of the Company with respect to the disposition of such balance. The balance was gradually transferred back to the Group during the current interim period and the balance as at 30 September 2016 became nil.

Interest generated from the bank deposits is recognised by the Group as interest income and included in 'other income and other gains' in the condensed consolidated statement of profit or loss and other comprehensive income.

10. 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:

	30.9.2016 <i>HK\$'000</i>	31.3.2016 <i>HK\$'000</i>
0 – 60 days	2,710	2,427
More than 60 days	42	29
	<hr/> 2,752 <hr/>	<hr/> 2,456 <hr/>

11. SHARE CAPITAL

	30.9.2016 & 31.3.2016 <i>HK\$'000</i>
Authorised: 5,000,000,000 ordinary shares of HK\$0.1 each	<hr/> <hr/> 500,000
Issued and fully paid: 1,946,314,108 ordinary shares of HK\$0.1 each	<hr/> <hr/> 194,631

There were no changes in authorised, issued and fully paid share capital for both periods.

12. SHARE OPTION SCHEME

The Company adopted a share option scheme on 10 May 2010. This share option scheme shall be valid and effective until 8 May 2020. Details of movements in the share options granted under the share option scheme during the current interim period are set out below:

	Outstanding at 1.4.2016 and 30.9.2016
Share option scheme adopted on 10 May 2010	<hr/> <hr/> 27,300,000

No share options were granted to, or exercised by, the Company's directors during the current interim period (six months ended 30 September 2015: nil).

No share options were lapsed during the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	30.9.2016	31.3.2016		
	HK\$'000	HK\$'000		
<i>Available-for-sale investments</i>				
– equity securities listed in Hong Kong	1,112	957	Level 1	Quoted bid prices in an active market
– debt securities listed in Hong Kong	3,460	4,744	Level 1	Quoted bid prices in an active market

There were no transfers between Levels 1, 2 and 3 during both periods.

14. RELATED PARTY TRANSACTIONS

- (a) The Group leased certain properties for its restaurant operations from Homley Development Limited (“Homley”). Rentals charged by Homley during the current interim period amounted to HK\$2,100,000 (six months ended 30 September 2015: HK\$2,100,000). As at 30 September 2016, rental deposit paid to Homley of HK\$1,050,000 was included in trade and other receivables (31 March 2016: HK\$1,050,000 included in non-current property rental deposits). As at 30 September 2016, no accrued rental was payable to Homley (31 March 2016: nil). 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.

14. RELATED PARTY TRANSACTIONS *(continued)*

- (b) The Group leased a unit of residential building from Hover City Industrial Limited (“Hover City”). Rental charged by Hover City during the current interim period amounted to HK\$468,000 (six months ended 30 September 2015: HK\$468,000). As at 30 September 2016, rental deposit paid to Hover City of HK\$156,000 was included in non-current property rental deposits (31 March 2016: HK\$156,000 included in non-current property rental deposits). As at 30 September 2016, no accrued rental was payable to Hover City (31 March 2016: nil). 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) The Group leased an office from Sky Global Investments Limited (“Sky Global”). Rentals charged by Sky Global during the current interim period amounted to HK\$600,000 (six months ended 30 September 2015: HK\$600,000). As at 30 September 2016, rental deposit paid to Sky Global of HK\$240,000 was included in non-current property rental deposits (31 March 2016: HK\$240,000 included in non-current property rental deposits). As at 30 September 2016, no accrued rental was payable to Sky Global (31 March 2016: nil). 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 key management personnel are the executive directors of the Company. The remuneration of the Company’s executive directors during the current interim period amounted to HK\$2,070,000 (six months ended 30 September 2015: HK\$2,070,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30 September 2016, the Group recorded a consolidated revenue of approximately HK\$41.0 million, a decrease of approximately HK\$1.1 million or 2.7% compared to the last corresponding period.

The net loss for the period under review amounted to approximately HK\$6.3 million compared to the net loss of approximately HK\$6.9 million in the last corresponding period.

Review of Operations

Revenue from the restaurant operation amounted to approximately HK\$41.0 million for the period under review. The decline in revenue by approximately HK\$1.1 million compared to the last corresponding period was mainly attributable to a more competitive operating environment for the Cheung Sha Wan Plaza branch. Revenue contributed by the Tsim Sha Tsui branch remained relatively stable and profit margins improved slightly for both branches during the first six months of the financial year.

The net loss for the Group had improved by approximately HK\$0.6 million. The positive impact from the decrease in net exchange loss of approximately HK\$1.6 million and the reduction in depreciation costs of approximately HK\$0.6 million and staff costs of approximately HK\$0.4 million was partially offset by the decrease in interest income of approximately HK\$1.0 million, the increase in rental expenses of approximately HK\$0.5 million as well as the recognition of an impairment loss for the Group's available-for-sale investments of approximately HK\$0.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$96.9 million as at 30 September 2016. As the Group had no bank borrowings, the Group's gearing ratio was zero as at 30 September 2016 and 31 March 2016.

With the cash generated from the Group's operations in its ordinary course of business and the existing unutilised banking and credit facilities, the 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 which were denominated in Renminbi and United States Dollars. The management would closely monitor such risk and would consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration Policies

As at 30 September 2016, the Group had approximately 150 staff. 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 2016 (for the six months ended 30 September 2015: nil).

PROSPECTS

The current unfavourable economic and business environment is expected to lower corporate and consumer expenditures and will have an adverse impact on the food and beverage industry. Amid the challenging operating environment, the Group will adopt a cautious approach in committing further capital expenditure and will implement appropriate costs control programs where necessary. Nevertheless, the Group will continue to review and revise its business strategies on a regular basis with the aim to better position itself to meet the challenges ahead and to capture any new investment opportunities as they arise.

SHARE OPTIONS

The Company by shareholders' resolutions passed at the special general meeting held on 10 May 2010 has adopted a share option scheme which shall be valid and effective until 8 May 2020 (the "Option Scheme").

The purpose of the Option Scheme is to recognize the commitments and contributions of the following eligible participants by granting options to them as incentives or rewards:

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

SHARE OPTIONS (continued)

As at 30 September 2016, the number of shares in respect of which options had been granted and remained outstanding under the Option Scheme was 27,300,000 shares, representing approximately 1.4% 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 1.4.2016	Expired during the period	Outstanding as at 30.9.2016
Cheng Hop Fai	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	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
				<u>27,300,000</u>	<u>–</u>	<u>27,300,000</u>

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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2016, the interests of the directors and the chief executive 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 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 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	Beneficial owner	6,900,000	0.35%
	Beneficiary of trusts (note 1)	1,450,037,841	74.50%
Cheng Pak Ming, Judy	Beneficiary of trusts (note 1)	1,450,037,841	74.50%
Cheng Pak Man, Anita	Beneficiary of trusts (note 1)	1,450,037,841	74.50%
Cheng Pak Lai, Lily	Beneficiary of trusts (note 1)	1,450,037,841	74.50%
Law Toe Ming	Interest of controlled corporation (note 2)	2,000,000	0.10%

Notes:

- (1) Golden Toy Investments Limited ("Golden Toy") and Kong Fai International Limited ("Kong Fai") held 172,869,780 shares (or 8.88% interest) and 1,277,168,061 shares (or 65.62% 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 2016, none of the directors and the chief executive 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 2016, 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⁾	8.88%
Kong Fai	Beneficial owner	1,277,168,061 ⁽¹⁾	65.62%
Fiducia Suisse SA	Trustee of trusts	1,450,037,841 ⁽¹⁾	74.50%
David Henry Christopher Hill	Interest of controlled corporation	1,450,037,841 ⁽²⁾	74.50%
Rebecca Ann Hill	Interest of spouse	1,450,037,841 ⁽³⁾	74.50%

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

- (1) Fiducia 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 1,450,037,841 shares under the SFO by virtue of his interest held in Fiducia Suisse SA.
- (3) The individual substantial shareholder notice filed by Rebecca Ann Hill indicated that her deemed interest in 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 2016, 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 current interim period.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code contained in Appendix 14 (the "Code") to the Listing Rules as its own corporate governance code. The Company has complied with the code provisions set out in the Code throughout the six months ended 30 September 2016 except for code provision A.2.1 in respect of the role separation of the chairman and the chief executive; code provision A.4.1 in respect of the service term of non-executive directors ("NEDs"); and code provision D.1.4 in respect of the letters of appointment for directors.

CORPORATE GOVERNANCE CODE *(continued)*

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 (equivalent to the role of a chief executive) 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 NEDs 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 the 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 at least once every three years in accordance with the Company's Bye-laws, in the opinion of the directors, this meets the objective of the code provision A.4.1.

Code provision D.1.4 sets out that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for certain directors. All of the directors of the Company are, however, required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. In the opinion of the directors, this meets the objective of the code provision D.1.4.

AUDIT COMMITTEE

The audit committee comprises the three INEDs of the Company, namely, Mr. Leung Tai Chiu as the chairman, and Mr. Law Toe Ming and Mr. Mark Yiu Tong, William as members. The terms of reference of the audit committee are consistent with the code provisions set out in the Code. 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 2016.

REMUNERATION COMMITTEE

Pursuant to rule 3.25 of the Listing Rules, the Company has established a remuneration committee comprising the three INEDs of the Company, namely, Mr. Law Toe Ming as the chairman, and 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 set out in the Code. 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 set out in the Code, the Company has established a nomination committee comprising Mr. Cheng Hop Fai as the chairman and two INEDs of the Company, 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 set out in the Code. The principal function of the nomination committee is to review the structure, size, composition and diversity of the board of directors at least annually with reference to the business needs and development of the Company and make recommendations to the board of directors on any proposed changes to the board of directors to complement the Group's corporate strategy.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all the directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 September 2016.

By Order of the Board
Cheng Hop Fai
Chairman

Hong Kong, 23 November 2016