



2015/16 Interim Report



**Samson Paper Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 together with comparative figures for the corresponding period in 2014, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2015 with audited comparative figures as at 31 March 2015. The unaudited condensed consolidated interim financial statements have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited	
		Six months ended 30 September	
		2015	2014
		HK\$'000	HK\$'000
Revenue	5	<b>2,606,557</b>	2,751,969
Cost of sales		<b>(2,357,117)</b>	(2,502,186)
Gross profit		<b>249,440</b>	249,783
Other gains and income, net		<b>10,803</b>	9,906
Selling expenses		<b>(87,123)</b>	(82,761)
Administrative expenses		<b>(99,395)</b>	(100,844)
Other operating (expenses)/income		<b>(1,555)</b>	3,783
Operating profit	6	<b>72,170</b>	79,867
Finance costs		<b>(41,715)</b>	(45,265)
Profit before taxation		<b>30,455</b>	34,602
Taxation	7	<b>(6,099)</b>	(6,842)
Profit for the period		<b>24,356</b>	27,760
Attributable to:			
Owners of the Company		<b>19,293</b>	24,706
Non-controlling interests		<b>5,063</b>	3,054
		<b>24,356</b>	27,760
Earnings per share			
— Basic	8	<b>HK1.4 cents</b>	HK2.1 cents
— Diluted	8	<b>HK1.5 cents</b>	HK1.9 cents
Interim dividend per share		<b>HK0.4 cent</b>	HK0.4 cent
Interim dividends	9	<b>5,092</b>	5,092

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period	24,356	27,760
Other comprehensive (loss)/income		
Item that may be reclassified subsequently to profit and loss:		
— Currency translation differences	<u>(21,532)</u>	18,972
Other comprehensive (loss)/income for the period, net of tax	<u>(21,532)</u>	18,972
Total comprehensive income for the period	<u>2,824</u>	46,732
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	(2,208)	42,456
— Non-controlling interests	<u>5,032</u>	4,276
Total comprehensive income for the period	<u>2,824</u>	<u>46,732</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2015

		Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	1,809,179	1,841,074
Prepaid premium for land leases	10	159,708	166,105
Investment properties		465,300	465,300
Intangible assets	11	40,019	41,788
Available-for-sale financial assets		4,754	4,953
Non-current deposits and prepayments		4,367	5,715
Deferred tax assets		3,366	3,545
		<u>2,486,693</u>	<u>2,528,480</u>
Current assets			
Inventories		606,644	721,431
Accounts receivable, deposits and prepayments	12	2,422,048	1,998,650
Financial assets at fair value through profit or loss		757	786
Taxation recoverable		1,877	913
Restricted bank deposits		164,265	218,000
Bank balances and cash		347,973	411,270
		<u>3,543,564</u>	<u>3,351,050</u>
Non-current assets held for sale		4,373	4,373
		<u>3,547,937</u>	<u>3,355,423</u>
Current liabilities			
Accounts payable and other payables	13	1,580,795	1,571,600
Trust receipt loans	14	1,065,305	752,466
Taxation payable		48,073	32,617
Derivative financial instruments		184	293
Borrowings	14	447,129	581,512
		<u>3,141,486</u>	<u>2,938,488</u>
Net current assets		<u>406,451</u>	<u>416,935</u>
Total assets less current liabilities		<u>2,893,144</u>	<u>2,945,415</u>

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

As at 30 September 2015

		<b>Unaudited</b>	Audited
		<b>30 September</b>	31 March
		<b>2015</b>	2015
	Note	<b>HK\$'000</b>	<b>HK\$'000</b>
Equity			
Equity attributable to owners of the Company			
Share capital	15	127,315	127,315
Reserves		1,666,902	1,674,202
Proposed dividend		5,092	31,829
		<u>1,671,994</u>	<u>1,706,031</u>
		<b>1,799,309</b>	1,833,346
Non-controlling interests		<u>183,919</u>	<u>178,887</u>
Total equity		<u>1,983,228</u>	<u>2,012,233</u>
Non-current liabilities			
Accounts payable and other payables	13	478	23,808
Borrowings	14	812,871	813,857
Deferred tax liabilities		96,567	95,517
		<u>909,916</u>	<u>933,182</u>
		<u>2,893,144</u>	<u>2,945,415</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Operating activities		
Cash (used in)/generated from operations	(219,211)	211,431
Interest paid	(41,715)	(44,695)
Overseas taxation paid	—	(5,656)
Net cash (used in)/generated from operating activities	<u>(260,926)</u>	<u>161,080</u>
Investing activities		
Purchase of property, plant and equipment	(46,160)	(59,403)
Purchase of prepaid premium for land leases	—	(17,552)
Purchase of intangible assets	—	(64)
Proceeds from disposal of property, plant and equipment	5,483	4,475
Decrease in non-current deposits and prepayments	1,348	11,339
Interest received	5,753	3,805
Net cash used in investing activities	<u>(33,576)</u>	<u>(57,400)</u>
Financing activities		
Bank loans raised	70,000	275,000
Finance lease raised	—	1,886
Repayment of bank loans	(201,324)	(333,652)
Repayment of finance lease liabilities	(1,743)	(2,923)
Increase in restricted bank deposits	53,735	8,456
Increase in trust receipt loans	312,839	42,395
Net cash generated from/(used in) financing activities	<u>233,507</u>	<u>(8,838)</u>
Net (decrease)/increase in cash and cash equivalents	(60,995)	94,842
Cash and cash equivalents at 1 April	411,270	287,303
Effect of changes in exchange rates on cash and cash equivalents	(2,302)	43
Cash and cash equivalents at 30 September	<u>347,973</u>	<u>382,188</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	347,973	383,153
Bank overdrafts	—	(965)
	<u>347,973</u>	<u>382,188</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Unaudited Attributable to owners of the Company				Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
	At 1 April 2014	127,315	841,656	774,633		
Comprehensive income						
Profit for the period	—	—	24,706	24,706	3,054	27,760
Other comprehensive income						
Currency translation differences	—	17,750	—	17,750	1,222	18,972
Total comprehensive income	—	17,750	24,706	42,456	4,276	46,732
Transactions with owners						
2013–2014 final dividend payable	—	—	(11,459)	(11,459)	—	(11,459)
Proposed 2014–2015 interim dividend	127,315	859,406	782,788	1,769,509	174,275	1,943,784
At 30 September 2014	127,315	859,406	787,880	1,774,601	174,275	1,948,876
<b>At 1 April 2015</b>	<b>127,315</b>	<b>834,470</b>	<b>871,561</b>	<b>1,833,346</b>	<b>178,887</b>	<b>2,012,233</b>
Comprehensive income						
Profit for the period	—	—	19,293	19,293	5,063	24,356
Other comprehensive income						
Currency translation differences	—	(21,501)	—	(21,501)	(31)	(21,532)
Total comprehensive income	—	(21,501)	19,293	(2,208)	5,032	2,824
Transactions with owners						
2014–2015 final dividend payable	—	—	(31,829)	(31,829)	—	(31,829)
Proposed 2015–2016 interim dividend	127,315	812,969	853,933	1,794,217	183,919	1,978,136
At 30 September 2015	127,315	812,969	859,025	1,799,309	183,919	1,983,228

Other reserves comprise share premium, assets revaluation reserve, capital reserve and exchange fluctuation reserve.

## 1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products. The Group is also engaged in the trading of consumable aeronautic parts, marine services and retail business as well as property investment and leasing. Detailed analysis of these business segments are set out in note 5 to the financial statements.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 3/F Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 27 November 2015.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2015, as described in those annual consolidated financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendments to standard are mandatory for the first time for the financial year beginning 1 April 2015 and adopted by the Group:

HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions	1 July 2014
Annual Improvement Projects	Annual improvements 2010–2012 Cycle	1 July 2014
Annual Improvement Projects	Annual improvements 2011–2013 Cycle	1 July 2014

The adoption of the above amendments to standards do not have a material impact to the Group’s financial position for all periods presented in this report.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The following new and revised standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2015 and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
HKFRS 10 and HKFRS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1 January 2016
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
Annual Improvements Projects	Annual improvements 2012–2014 Cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

The Group has commenced an assessment of the impact of the above new and amended standards and interpretations and considers that they will not have any significant impact on the results of the Group's operations and financial position. The Group plans to adopt the above new and amendments to standards when they become effective.

## 3. ESTIMATES

The preparation of unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2015.

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest-rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management 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 2015. There have been no significant changes in the risk management policies since year end.

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 4.2 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets/(liabilities) that are measured at fair value at 30 September 2015.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
— Trading securities	757	—	—	757
Available-for-sale financial assets				
— Insurance policy	—	—	3,784	3,784
— Other investment	—	—	970	970
	—	—	4,754	4,754
Derivative financial instruments				
— Interest rate swap	—	(184)	—	(184)
	<u>757</u>	<u>(184)</u>	<u>4,754</u>	<u>5,327</u>

The following table presents the Group's financial assets/(liabilities) that were measured at fair value at 31 March 2015.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
— Trading securities	786	—	—	786
Available-for-sale financial assets				
— Insurance policy	—	—	4,440	4,440
— Other investment	—	—	513	513
	—	—	4,953	4,953
Derivative financial instruments				
— Interest rate swap	—	(293)	—	(293)
	<u>786</u>	<u>(293)</u>	<u>4,953</u>	<u>5,446</u>

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 4.2 Fair value estimation (continued)

There has been no transfer of financial assets and liabilities between levels 1, 2 and 3 during the period.

There were no other change in valuation techniques during the period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

##### 4.3 Valuation technique used to derive level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value as instrument are observable, the instrument is included in level 2.

##### 4.4 Fair value measurements using significant observable input (level 3)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. There is no quoted market price in an active market for certain financial assets and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed without incurring excessive costs.

The following table presents the changes in level 3 instruments:

	<b>Unaudited</b> <b>30 September 2015</b> <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Opening	4,953	5,490
Net changes in fair value transferred to equity	<u>(199)</u>	<u>(537)</u>
Closing	<u><u>4,754</u></u>	<u><u>4,953</u></u>

##### 4.5 Fair values of financial assets and liabilities measured at amortised cost

The carrying amount of receivables, bank balances, payables and bank borrowings are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

##### 4.6 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risk management as described in the annual financial statements for the year ended 31 March 2015.

## 5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/loss without allocation of finance costs which is consistent with that in the financial statements.

As at 30 September 2015, the Group is organised on a worldwide basis into four main business segments:

- (1) Paper trading: trading and marketing of paper products;
- (2) Paper manufacturing: manufacturing of paper products in Shandong, the People's Republic of China (the "PRC");
- (3) Property investment and leasing; and
- (4) Others: including trading and marketing of aeronautic parts and provision of related services, the provision of marine services to marine, oil and gas industries, the provision of logistic services and retail business.

Segment assets consist primarily of property, plant and equipment, prepaid premium for land leases, investment properties, intangible assets, inventories, receivables, financial instruments, non-current asset held for sale and operating cash. They exclude deferred tax assets, taxation recoverable and corporate assets.



## 5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended and as at 30 September 2015 is as follows:

	Unaudited				
	Six months ended 30 September 2015				
	Paper trading	Paper manufacturing	Property investment and leasing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>SEGMENT RESULTS</b>					
Total segment revenue	2,131,065	496,443	8,331	99,238	2,735,077
Inter-segment revenue	(114,522)	(9,494)	(737)	(3,767)	(128,520)
<b>Revenue from external customers</b>	<b>2,016,543</b>	<b>486,949</b>	<b>7,594</b>	<b>95,471</b>	<b>2,606,557</b>
Reportable segment results	43,288	45,486	7,437	(15,543)	80,668
Corporate expenses					(8,498)
Operating profit					72,170
Finance costs					(41,715)
<b>Profit before taxation</b>					<b>30,455</b>
Taxation					(6,099)
<b>Profit for the period</b>					<b>24,356</b>
<b>OTHER PROFIT AND LOSS ITEMS</b>					
Depreciation	4,959	21,615	—	4,968	31,542
Amortisation charges	1,353	2,091	—	73	3,517
<b>Unaudited</b>					
<b>As at 30 September 2015</b>					
	Paper trading	Paper manufacturing	Property investment and leasing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>SEGMENT ASSETS</b>					
Reportable segment assets	2,679,985	2,705,117	466,213	176,183	6,027,498
Taxation recoverable					1,877
Deferred tax assets					3,366
Corporate assets					1,889
Total assets					<b>6,034,630</b>

## 5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 September 2014 and as at 31 March 2015 are as follows:

	Unaudited				
	Six months ended 30 September 2014				
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Property investment and leasing HK\$'000	Others HK\$'000	Total HK\$'000
<b>SEGMENT RESULTS</b>					
Total segment revenue	2,256,985	492,253	7,400	77,300	2,833,938
Inter-segment revenue	(12,744)	(65,063)	(795)	(3,367)	(81,969)
<b>Revenue from external customers</b>	<u>2,244,241</u>	<u>427,190</u>	<u>6,605</u>	<u>73,933</u>	<u>2,751,969</u>
Reportable segment results	49,025	36,803	5,544	(6,308)	85,064
Corporate expenses					(5,197)
Operating profit					79,867
Finance costs					(45,265)
<b>Profit before taxation</b>					34,602
Taxation					(6,842)
<b>Profit for the period</b>					<u>27,760</u>
<b>OTHER PROFIT AND LOSS ITEMS</b>					
Depreciation	<u>5,415</u>	<u>22,863</u>	<u>—</u>	<u>4,810</u>	<u>33,088</u>
Amortisation charges	<u>860</u>	<u>1,749</u>	<u>—</u>	<u>68</u>	<u>2,677</u>
	Audited				
	As at 31 March 2015				
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Property investment and leasing HK\$'000	Others HK\$'000	Total HK\$'000
<b>SEGMENT ASSETS</b>					
Reportable segment assets	2,905,710	2,329,508	467,865	176,048	5,879,131
Taxation recoverable					913
Deferred tax assets					3,545
Corporate assets					314
<b>Total assets</b>					<u>5,883,903</u>

To be consistent with reporting, the segment of "others" has been split to "property investment and leasing" and "others". The relevant amount for the period ended 30 September 2014 has been presented to conform to the current period's presentation.

## 5. SEGMENT INFORMATION (CONTINUED)

The Group's four operating segments operate in the following geographical areas, even though they are managed on a worldwide basis.

An analysis of the Group's revenue for the period by geographical areas is as follows:

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	481,336	514,231
The PRC (note)	1,939,717	2,029,958
Singapore	53,354	60,372
Korea	112,196	123,723
Malaysia	19,954	21,901
USA	—	1,784
	<u>2,606,557</u>	<u>2,751,969</u>

Note: The PRC, for the presentation purpose in these financial statements, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan.

## 6. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Crediting		
Interest income	5,753	3,805
Provision for impairment on inventories written back	1,944	9,933
Provision for impairment on receivables written back	<u>4,921</u>	<u>1,968</u>
Charging		
Depreciation of property, plant and equipment	31,542	30,088
Amortisation of prepaid premium for land leases	2,727	2,198
Amortisation of intangible assets	790	479
Provision for impairment on receivables	<u>15,236</u>	<u>5,751</u>

## 7. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong profits tax	4,540	2,060
Overseas taxation	1,559	4,782
	<u>6,099</u>	<u>6,842</u>

## 8. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company less preference dividends of HK\$15,991,000 (2014: HK\$23,517,000) by the weighted average number of 1,141,076,000 (2014: 1,141,076,000) ordinary shares in issue during the period.

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: preference shares. The Company has a share option scheme but no share option (2014: Nil) has been granted under the scheme.

	Unaudited	
	Six months ended 30 September	
	2015	2014
Profit attributable to owners of the Company (HK\$'000)	<u>19,293</u>	<u>24,706</u>
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustments for:		
— Assumed conversion of preference shares ('000)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ('000)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK1.5 cents</u>	<u>HK1.9 cents</u>



## 9. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
Proposed — HK\$0.004 (2014: HK\$0.004) per ordinary share	4,564	4,564
Proposed — HK\$0.004 (2014: HK\$0.004) per preference share	528	528
	5,092	5,092

At a meeting held on 27 November 2015, the Directors proposed an interim dividend of HK\$0.004 per share. This proposed dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2016.

## 10. PROPERTY PLANT AND EQUIPMENT AND PREPAID PREMIUM FOR LAND LEASES

	Unaudited		
	Property, plant and equipment	Prepaid premium for land leases	Construction in progress
	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 September 2014</b>			
Opening net book amount at 1 April 2014	1,393,880	153,876	414,694
Currency translation differences	11,373	1,398	3,412
Additions	9,717	17,552	49,686
Transfer	63,014	—	(63,014)
Disposals	(521)	—	—
Depreciation and amortisation	(36,436)	(2,198)	—
Closing net book amount at 30 September 2014	1,441,027	170,628	404,778
<b>Six months ended 30 September 2015</b>			
Opening net book amount at 1 April 2015	1,403,869	166,105	437,205
Currency translation differences	(34,411)	(3,670)	(6,617)
Additions	13,542	—	32,618
Disposals	(246)	—	—
Depreciation and amortisation	(36,781)	(2,727)	—
Closing net book amount at 30 September 2015	1,345,973	159,708	463,206

## 11. INTANGIBLE ASSETS

	<b>Unaudited</b> HK\$'000
<b>Six months ended 30 September 2014</b>	
Opening net book amount at 1 April 2014	46,323
Currency translation differences	(555)
Additions	64
Amortisation	<u>(479)</u>
Closing net book amount at 30 September 2014	<u>45,353</u>
<b>Six months ended 30 September 2015</b>	
Opening net book amount at 1 April 2015	41,788
Currency translation differences	(979)
Amortisation	<u>(790)</u>
Closing net book amount at 30 September 2015	<u>40,019</u>

## 12. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	<b>Unaudited</b> 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Accounts receivable — net of provision	1,233,492	1,241,952
Other receivables, deposits and prepayments	<u>1,188,556</u>	<u>756,698</u>
	<u>2,422,048</u>	<u>1,998,650</u>

The carrying values of the Group's accounts and other receivables approximate their fair values.

The Group normally grants credit to customers ranging from 30 to 90 days.

The aging analysis of accounts receivable is as follows:

	<b>Unaudited</b> 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Current to 60 days	897,972	861,724
61 to 90 days	157,212	171,153
Over 90 days	<u>178,308</u>	<u>209,075</u>
	<u>1,233,492</u>	<u>1,241,952</u>

There was no concentration of credit risk with respect to accounts receivable as the Group had a large number of customers, which were widely dispersed within Hong Kong, the PRC and other countries.

### 13. ACCOUNTS PAYABLE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 September 2015</b> <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Accounts and bills payables	1,388,614	1,446,372
Accruals and other payables	160,830	149,036
Dividend payable	<u>31,829</u>	<u>—</u>
	<b>1,581,273</b>	1,595,408
Less: non-current portions:		
Accounts payable and other payables	<u>(478)</u>	<u>(23,808)</u>
	<b><u>1,580,795</u></b>	<b><u>1,571,600</u></b>

The carrying values of the gross accounts payable and other payables approximate their fair values.

The aging analysis of accounts and bills payables is as follows:

	<b>Unaudited</b> <b>30 September 2015</b> <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Current to 60 days	935,957	947,467
61 to 90 days	219,046	194,865
Over 90 days	<u>233,611</u>	<u>304,040</u>
	<b><u>1,388,614</u></b>	<b><u>1,446,372</u></b>

#### 14. BORROWINGS

	<b>Unaudited</b> <b>30 September 2015</b> <b>HK\$'000</b>	Audited 31 March 2015 HK\$'000
<b>Non-current</b>		
Bank loans — unsecured	784,182	774,398
Bank loans — secured ( <i>note 18</i> )	23,617	33,482
Finance lease liabilities	5,072	5,977
	<hr/>	<hr/>
Total non-current borrowings	<b>812,871</b>	<b>813,857</b>
<b>Current</b>		
Trust receipt loans — unsecured	936,801	635,300
Trust receipt loans — secured ( <i>note 18</i> )	128,504	117,166
	<hr/>	<hr/>
	<b>1,065,305</b>	<b>752,466</b>
	<hr/>	<hr/>
Bank loans — unsecured	427,947	558,903
Bank loans — secured ( <i>note 18</i> )	17,422	17,709
Bank overdrafts	—	2,302
Finance lease liabilities	1,760	2,598
	<hr/>	<hr/>
	<b>447,129</b>	<b>581,512</b>
	<hr/>	<hr/>
Total current borrowings	<b>1,512,434</b>	<b>1,333,978</b>
	<hr/>	<hr/>
<b>Total borrowings</b>	<b>2,325,305</b>	<b>2,147,835</b>

#### 14. BORROWINGS (CONTINUED)

The Group's bank loans, overdrafts and trust receipt loans were repayable as follows:

	Bank overdrafts		Bank loans		Trust receipt loans	
	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Within one year	—	2,302	445,369	576,612	1,065,305	752,466
In the second year	—	—	400,139	195,018	—	—
In the third to fifth years inclusive	—	—	402,673	606,939	—	—
Over five years	—	—	4,987	5,923	—	—
	<u>—</u>	<u>2,302</u>	<u>1,253,168</u>	<u>1,384,492</u>	<u>1,065,305</u>	<u>752,466</u>

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 2.2% to 6.9% per annum (31 March 2015: 2.2% to 6.9% per annum).

The carrying amounts of bank loans, bank overdrafts and trust receipt loans approximate their fair values.

#### Finance lease liabilities

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	1,847	2,765
Later than 1 year but not later than 5 years	5,098	5,842
Later than 5 years	232	507
	<u>7,177</u>	<u>9,114</u>
Future finance charges on finance leases	(345)	(539)
Present value of finance lease liabilities	<u>6,832</u>	<u>8,575</u>

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	1,760	2,598
Later than 1 year and no later than 5 years	4,850	5,491
Later than 5 years	222	486
	<u>6,832</u>	<u>8,575</u>

At the balance sheet date, the carrying amounts of finance lease liabilities approximate their fair values.

## 15. SHARE CAPITAL

	Number of shares of HK\$0.10 each		Share capital	
	Unaudited 30 September 2015	Audited 31 March 2015	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
<b>Authorised:</b>				
Ordinary shares				
At beginning and end of the period/year	<u>1,456,913,987</u>	<u>1,456,913,987</u>	<u>145,691</u>	<u>145,691</u>
Convertible non-voting preference shares				
At beginning and end of the period/year	<u>143,086,013</u>	<u>143,086,013</u>	<u>14,309</u>	<u>14,309</u>
Total	<u>1,600,000,000</u>	<u>1,600,000,000</u>	<u>160,000</u>	<u>160,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares				
At beginning and end of the period/year	<u>1,141,075,827</u>	<u>1,141,075,827</u>	<u>114,108</u>	<u>114,108</u>
Convertible non-voting preference shares				
At beginning and end of the period/year	<u>132,064,935</u>	<u>132,064,935</u>	<u>13,207</u>	<u>13,207</u>
Total	<u>1,273,140,762</u>	<u>1,273,140,762</u>	<u>127,315</u>	<u>127,315</u>

The shareholders of the Company adopted a share option scheme to comply with the requirements of Chapter 17 of the Listing Rules. As at 30 September 2015 and 31 March 2015, no share option was granted or outstanding.

## 16. BANK GUARANTEES

As at 30 September 2015, the Company continued to provide corporate guarantees on the banking facilities granted to the Group's subsidiaries. The amount of such facilities utilised by the subsidiaries as at 30 September 2015 amounted to HK\$2,318,821,000 (31 March 2015: HK\$2,139,260,000).

## 17. COMMITMENTS

### (a) Capital commitments

Capital expenditure committed at the balance sheet date but not yet incurred is as follows:

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Property, plant and equipment Contracted but not provided for	<u>201,184</u>	<u>156,472</u>

## 17. COMMITMENTS (CONTINUED)

### (b) Operating lease commitments

The Group leases various warehouses under non-cancellable operating lease agreements. The lease terms are mainly between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Unaudited</b> <b>30 September 2015</b> <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Not later than one year	21,798	21,415
Later than one year and not later than five years	27,420	27,368
Later than five years	1,571	2,190
	<u>50,789</u>	<u>50,973</u>

### (c) Operating lease receivable

The Group leases out various warehouses under non-cancellable operating leases agreements. The lease terms are between one to five years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>Unaudited</b> <b>30 September 2015</b> <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
Not later than one year	18,126	10,613
Later than one year and not later than five years	27,248	17,831
	<u>45,374</u>	<u>28,444</u>

## 18. CHARGE OF ASSETS

As at 30 September 2015, trust receipt loans of HK\$128,504,000 (31 March 2015: HK\$117,166,000) and bank loans of HK\$41,039,000 (31 March 2015: HK\$51,191,000) were secured by legal charges on the Group's land and building and investment properties with aggregate net book amount of approximately HK\$512,156,000 (31 March 2015: HK\$514,524,000) and non-current asset held for sale with aggregate net book amount of HK\$4,373,000 (31 March 2015: HK\$4,373,000).

## 19. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
(a) Purchase of merchandise from a related company	<u>258,456</u>	<u>164,778</u>

The above transactions were conducted at negotiated prices between transacting parties.

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
(b) Payables to a related company	<u>191,371</u>	<u>125,965</u>

The above transactions were conducted at negotiated prices between transacting parties.

	Unaudited	
	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
(c) Key management compensation		
Key management compensation	<u>6,928</u>	<u>6,928</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### The Economy

During the reporting period, the US economy was on its road of gradual recovery while the other major countries' economies, including Eurozone and China were still weakening and uncertain. China's third quarter gross domestic product growth slowed down to 6.9% from 7% for the first half of 2015, the weakest rate since 2009. China's purchasing managers' index was still in the contraction zone below 50, signaling that the manufacturing sector has yet to bottom out as global demand faltered and deflationary pressures deepened. Over-capacity pressure for most Chinese industries remained huge.

In Hong Kong, the Territory's economy experienced a modest growth, with real GDP in the third quarter of 2015 up by 2.3% over the preceding year, compared with the 2.8% increase in the second quarter. Weakness in the mainland economy has held back Hong Kong economic growth. Owing to the HK dollar's peg to the US dollar, which has been strengthening, the Hong Kong's export performance was adversely affected.

### The Paper Industry

For the reporting period, the paper and board market in China remained soft. Many grades of paper products saw price mostly stagnant, hovering at low levels in the wake of ongoing poor general economic performance. Several traders cut prices to lower their stocks but producers were trying to keep price stable, mainly focusing on boosting sales. Banks continued to tighten their credit and were reluctant to lend in view of the high bad debt exposure. Factors including relatively weak customer demand and increased competition for new orders, especially those from good quality customers have led competitors to use price discounting strategies to secure their businesses.

### Overview of Operations

#### *Financial Performance*

Against this adverse operating environment, in order to maintain the profitability and mitigate the credit exposure, the Group, coupled with the flexible sales strategies, has taken more prudent and stringent measures to tighten credit control so as to prevent increases in impairment on receivables. As a result, the growth of the Group's businesses was slowed down. During the reporting period, the Group's turnover decreased by 5.3% to HK\$2,607,000,000. In terms of sales volume, there was a slight decrease by 1.2%. The gross profit was HK\$249,440,000 with a 5.4% increase in the gross profit margin to 9.6%. The profit for the reporting period decreased by 12.3% to HK\$24,356,000. This was after the offset of the loss of the newly food retail business of HK\$11,375,000. Before accounting for the impact of the initial loss on the development of the Group's food retail business, the profit for the reporting period would be HK\$35,731,000 with an increase of 8.5% as compared with the same period last year. Profit attributable to the owners of the Company was recorded at HK\$19,293,000 (2014/2015: HK\$24,706,000). Basic earnings per share were HK1.4 cents (2014/2015: HK2.1 cents).

We have achieved a lot this period and have made strong progress on our strategy. The Group intends to maintain a substantial level of cash reserve to ensure sufficient working capital to meet any opportunities and challenges ahead. As at 30 September, 2015 the Group had cash and bank balance (including restricted bank deposit) of HK\$512,238,000 with a gearing ratio at a healthy level of 47.8%. This enables the Group to lower interest costs by 7.8% to HK\$41.7 million. During the reporting period, we continued to exercise a stringent credit policy as well as to reduce the level of inventory amid the uncertain market condition. The inventory turnover day is shorten by 4 days. In view of the tight credit policy adopted by the banks, to contain its credit exposure, the Group has made a provision for impairment of receivables at HK\$15.2 million, representing 0.6% of the Group's total revenue before taking into account of the write back of the provision of HK\$4.9 million.

### *Paper Business*

Due to China's ongoing economic slowdown and the overcapacity issue faced by the paper industry, the Group continues to carefully assess the sales and procurement strategies of the business for the reporting period with customer's creditability as our top priority. The growth of the business has slowed down. The Group's paper product business recorded a decrease of 6.3% in turnover from HK\$2,671,431,000 to HK\$2,503,492,000. In volume term, the sales tonnage has slightly decreased by 1.2% from 552,300 metric tonnes to 545,600 metric tonnes. Operating profit was HK\$88,774,000.

For paper trading business, the Group reported a drop of 10.1% in turnover of HK\$2,016,543,000, resulting from the conservative sales strategies focusing on the creditability of customers, with a fall of 8.1% in sales tonnage.

Turnover from paper trading business in the Chinese market decreased 9.3% to HK\$1,451,674,000 with a drop of 7.2% in volume while the Hong Kong market achieved a turnover of HK\$432,719,000, slipped by 12.9% compared to the last corresponding period. As for other Asian countries, the business dropped 9.3% in sales to HK\$132,150,000 as compared to the last corresponding period resulting from the continuous keen competition from the Chinese mills.

For paper manufacturing business, the segment recorded a slightly increase of 0.9% in turnover, including inter-segment revenue, to HK\$496,443,000 with a growth of 7.6% in the sales tonnage. With the well established brand and competitive quality of paper products acceptable by customers, the segment maintained with its steady performance despite weaker overall market conditions. Operating profit increased 23.6% to HK\$45,486,000 compared to the corresponding last period with operating profit margin stood at 9.3%.

### *Property Investment and Leasing Business*

For the reporting period under review, the rental income generated from the investment properties and leasing business with a value of HK\$465,300,000 rose by 15.0% to HK\$7,594,000. The segment provides a continuous steady inflow of income to the Group. This has significantly strengthened the financial position of the Group.

### *Other Businesses*

These business segments include the aeronautic parts and service business, marine services business, retail business and logistic services.

The aeronautic parts and services business and marine services business recorded turnover of HK\$26,611,000 and HK\$26,743,000 respectively during the period under review.

During the reporting period, the food retail business faced competition from existing and new competitors, decline in economic activity and further disruption in global economies. The management was not only changing innovatively to overcome all these potential threats, but also restructuring product mix to delight loyal customers, optimizing stores layout to provide a better shopping experience, and providing continuous online-to-offline advertising to attract new customers. In addition, the management also strengthened the business by expanding the store network from four stores during the previous reporting period to twelve stores as at 30 September 2015. The segment's revenue rose by 2.75 times from HK\$10,946,000 to HK\$41,021,000. The same store sales increased 46% as compared to the same reporting period last year. As the business is at its initial establishment stage, the segment incurred an operating loss of HK\$11,375,000 as temporary start-up costs.

## Prospects

The operating environment and competitive setting in China remains challenging. China's factory activity fell for an eight straight month in October 2015 but at a slower pace as export orders flickered into life. The Chinese government has rolled out a flurry of stimulus measures since 2014 to avert a sharper slowdown including slashing interest rates six times since November 2014, lowering bank reserve requirement ratio four times and prioritizing infrastructure projects. China's economy including manufacturing sector seems to be getting stable after the adoption of various monetary and fiscal policies.

The imbalance of supply and demand situation keeps improving steadily after the relevant authorities in China have tightened the environmental protection policies and eliminated the outdated production capacities. At the same time, more restrictive requirements are imposed for addition of new paper production lines. With such comprehensive policies and prerequisites in practice, the prices of paper will become more stable and progressively repossess to a positive trend as the market demand resumes.

The Group takes pride on its dynamic yet vigilant sales and procurement approaches in developing the paper business while strategically monitor and control the creditability of customers in view of the banks' tight credit policy. At the same time, the Group will continue to provide a strong competitive advantage within the paper business through consolidating units of operation, streamlining workflows, establishing effective cost controls and making capital investments on machinery.

The property investment and leasing business segment is one of the Group's core principal businesses. The Group has been operating such leasing business since 2006 with a team of dedicated officers handling the leasing business. In order to further develop its leasing potential, the Group is planning to further consolidate its warehousing facilities in China and Hong Kong for leasing and is also identifying suitable sites in China to construct new warehousing facilities for leasing in 2016. These strategic plans will provide additional profits with significant recurring income and will maximize the cash flow of the Group.

With the well-established store network of the food retail business, the Group will continue to expand by opening a certain number of stores in strategic malls and strive to provide customers with great shopping experience with diversified range of products at affordable prices in convenient locations. At the same time, the Group focuses on operating all stores successfully and optimizing our product mix and services to winning customers, and result in healthy and fruitful returns for the Group.

## INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 0.4 cent (2014: HK 0.4 cent) per share for the six months ended 30 September 2015. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 18 December 2015. The interim dividend will be paid around 8 January 2016.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 December 2015 to 18 December 2015 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 pm on 15 December 2015.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2015, the Group employed 1,963 staff members, 156 of whom are based in Hong Kong and 1,517 are based in the PRC and 290 are based in other Asian countries. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund and medical insurance. Training for various levels of staff is undertaken on a regular basis, consisting of development in the strategic, implementation, sales and marketing disciplines.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances short term funding requirements with cash generated from operations, credit facilities available from suppliers and banking facilities (both secured and unsecured) provided by our bankers. The Group uses cash flow generated from operations, long term borrowings and shareholders' equity for the financing of long-term assets and investments. As at 30 September 2015, short term deposits plus bank balances amounted to HK\$512 million (including restricted bank deposits of HK\$164 million) and bank borrowings amounted to HK\$2,325 million.

As at 30 September 2015, the Group's gearing ratio was 47.8% (31 March 2015: 43.0%), calculated as net debt divided by total capital. Net debt of HK\$1,813 million is calculated as total borrowings of HK\$2,325 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK\$512 million. Total capital is calculated as total equity of HK\$1,983 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.13 times (31 March 2015: 1.14 times).

With bank balances and other current assets of approximately HK\$3,548 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

## FOREIGN EXCHANGE RISK

The Group's transaction currencies are principally denominated in Renminbi, United States dollars and Hong Kong dollars. The Group hedged its position with foreign exchange contracts and options when considered necessary. The Group has continued to obtain Renminbi loans which provide a natural hedge against currency risks. As at 30 September 2015, bank borrowings in Renminbi amounted to HK\$214 million (31 March 2015: HK\$340 million). The remaining borrowings are mainly in Hong Kong dollars. The majority of the Group's borrowings bear interest costs which are based on floating interest rates.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2015, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

### (a) Long position in shares of the Company

Ordinary shares of HK\$0.10 each

	Capacity	Number of ordinary shares beneficially held				Total	Percentage
		Personal interest	Corporate interest	Family interest			
Mr. LEE Seng Jin	Beneficial owner	128,459,688	688,533,247	33,425,112	850,418,047	74.53%	
Ms. SHAM Yee Lan, Peggy	Beneficial owner	1,145,112	32,280,000	816,992,935	850,418,047	74.53%	
Mr. CHOW Wing Yuen	Beneficial owner	1,080,000	—	—	1,080,000	0.09%	

Convertible non-voting preference shares ("CP shares") of HK\$0.10 each

	Capacity	Number of CP shares beneficially held			Total	Percentage
		Personal interest	Corporate interest	Family interest		
Mr. LEE Seng Jin	Beneficial owner	—	132,064,935	—	132,064,935	100.00%

Notes: The 688,533,247 ordinary shares and 132,064,935 CP shares are held by Quinselle Holdings Limited which is wholly owned by Mr. Lee Seng Jin. Mr. Lee Seng Jin therefore deemed under the SFO to be interested in such Shares and CP Shares.

Save as disclosed above, as at 30 September 2015, none of the Directors and chief executives of the Company had any interests or short positions in the shares or underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those interests disclosed above, the Directors and chief executives of the Company also hold shares of certain subsidiaries of the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

At no time during the period was the Company, its holding company, its subsidiaries or its associated companies a party to any arrangement to enable any Director or chief executives of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company and its associated corporations as defined in the SFO.

**(b) Short positions in shares and underlying shares of the Company**

None of the Directors and the chief executive of the Company or their associates had any short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(c) Share option scheme**

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 30 September 2015, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

*(1) Purpose*

The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

*(2) Participants*

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

*(3) Maximum number of shares*

The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is nil as at the date of this report.

*(4) Maximum entitlement of each Participant*

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

*(5) Time of exercise of option*

An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Option Scheme.

(6) The eligible person shall pay HK\$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.

(7) *Exercise price*

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of

- i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;
- ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- iii) the nominal value of a share on the date of grant.

(8) *Remaining life of the Option Scheme*

The Option Scheme will remain in force until 17 September 2025.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY**

As at 30 September 2015, the interests and short positions of the shareholders of the Company other than a Director or chief executives of the Company and their associates, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO are as follows:

### **Long position in ordinary shares of HK\$0.10 each in the Company**

<b>Name of shareholder</b>	<b>Number of ordinary shares</b>	<b>Percentage</b>
Quinselle Holdings Limited (Note)	688,533,247	60.34%

### **Long position in CP shares of HK\$0.10 each in the Company**

<b>Name of shareholder</b>	<b>Number of CP shares</b>	<b>Percentage</b>
Quinselle Holdings Limited (Note)	132,064,935	100.00%

Note: Quinselle Holdings Limited is a company wholly owned by Mr. Lee Seng Jin.

Save as disclosed above, the register which is required to be kept under Section 336 of the SFO shows that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 September 2015.

## **CONTINGENT LIABILITIES**

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of facilities utilized by the subsidiaries as at 30 September 2015 amounted to HK\$2,318,473,000 (31 March 2015: HK\$2,139,260,000).

## **CHARGE OF ASSETS**

As at 30 September 2015, trust receipt loans of HK\$128,504,000 (31 March 2015: HK\$117,166,000) and bank loans of HK\$41,039,000 (31 March 2015: HK\$51,191,000) were secured by legal charge on certain properties of the Group.

## **AUDIT COMMITTEE**

The Audit Committee of the Company (the “Committee”) was set up to review and provide supervision of the Group’s financial reporting process and internal controls. The Committee has reviewed the Group’s unaudited interim report for the six months ended 30 September 2015 before it was tabled for the Board’s approval.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.



## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Directors, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period ended 30 September 2015 except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the bye-laws of the Company.

## BOARD OF DIRECTORS

As at the date of this Report, the Board comprises five executive directors, namely Mr. SHAM Kit Ying, Mr. LEE Seng Jin, Mr. CHOW Wing Yuen, Ms. SHAM Yee Lan, Peggy and Mr. LEE Yue Kong, Albert, one non-executive director, Mr. LAU Wang Yip, Eric and three independent non-executive directors, namely Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth.

By Order of the Board  
**SHAM Kit Ying**  
*Chairman*

Hong Kong, 27 November 2015