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Samson group

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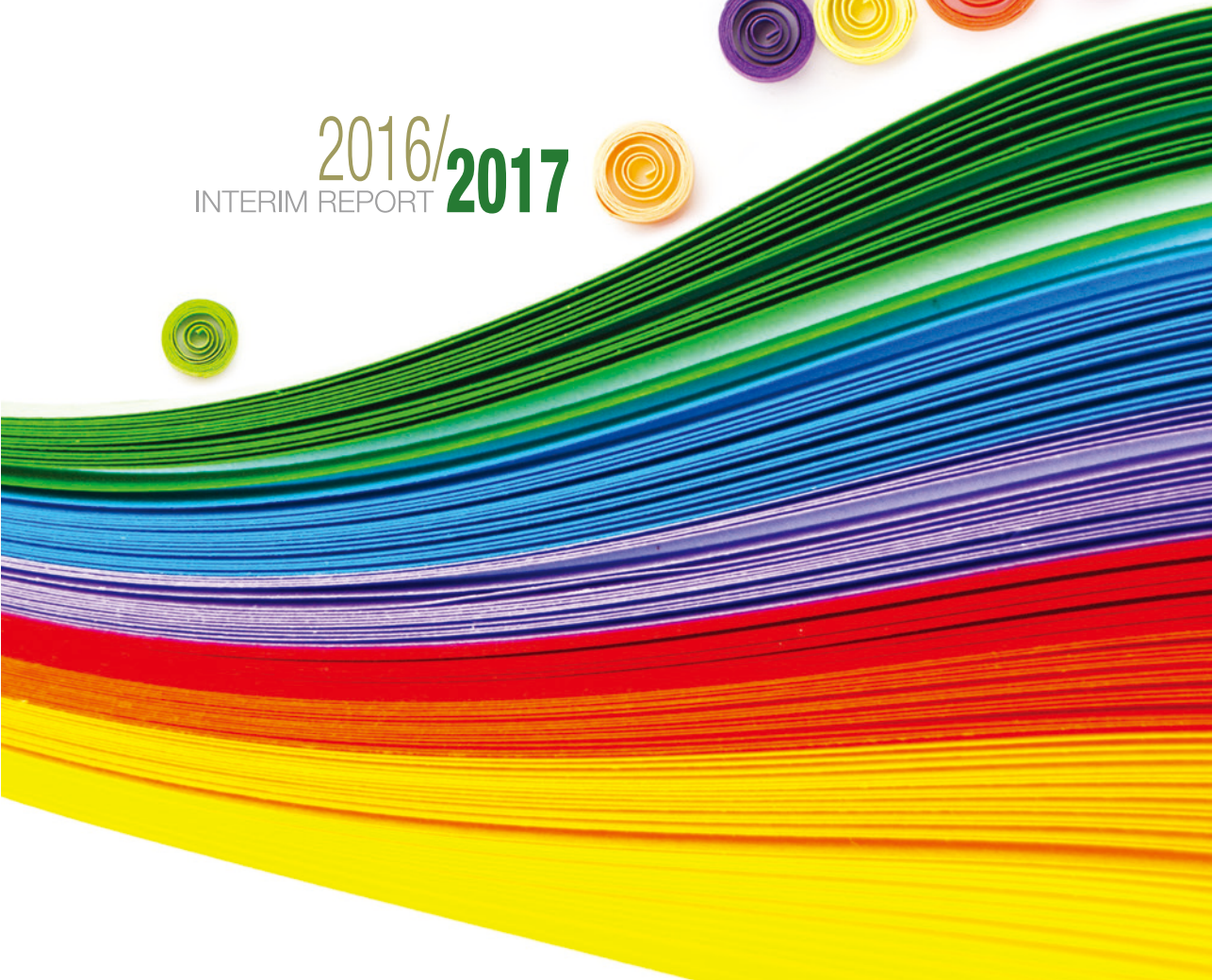
Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)



2016/
INTERIM REPORT 2017



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 2016 together with comparative figures for the corresponding period in 2015, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2016 with audited comparative figures as at 31 March 2016. 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	
		2016	2015
		HK\$’000	HK\$’000
Revenue	5	2,506,068	2,606,557
Cost of sales		<u>(2,252,069)</u>	<u>(2,357,117)</u>
Gross profit		253,999	249,440
Other gains and income, net		13,464	10,803
Selling expenses		(102,778)	(87,123)
Administrative expenses		(99,299)	(99,395)
Other operating income/(expenses)		<u>13,751</u>	<u>(1,555)</u>
Operating profit	6	79,137	72,170
Finance costs		<u>(38,709)</u>	<u>(41,715)</u>
Profit before taxation		40,428	30,455
Taxation	7	<u>(9,240)</u>	<u>(6,099)</u>
Profit for the period		<u>31,188</u>	<u>24,356</u>
Attributable to:			
Owners of the Company		27,705	19,293
Non-controlling interests		<u>3,483</u>	<u>5,063</u>
		<u>31,188</u>	<u>24,356</u>
Earnings per share			
— Basic	8	<u>HK2.4 cents</u>	<u>HK1.6 cents</u>
— Diluted	8	<u>HK2.2 cents</u>	<u>HK1.5 cents</u>
Interim dividend per share		<u>HK0.4 cent</u>	<u>HK0.4 cent</u>
Interim dividends	9	<u>5,092</u>	<u>5,092</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	31,188	24,356
Other comprehensive loss		
Item that may be reclassified subsequently to profit and loss:		
— Currency translation differences	<u>(93,896)</u>	<u>(21,532)</u>
Other comprehensive loss for the period, net of tax	<u>(93,896)</u>	<u>(21,532)</u>
Total comprehensive (loss)/income for the period	<u>(62,708)</u>	<u>2,824</u>
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	(57,585)	(2,208)
— Non-controlling interests	<u>(5,123)</u>	<u>5,032</u>
Total comprehensive (loss)/income for the period	<u>(62,708)</u>	<u>2,824</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2016

		Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Non-current assets			
Property, plant and equipment	10	1,665,797	1,755,225
Land use rights	10	136,973	143,266
Investment properties		515,500	515,500
Intangible assets	11	40,640	41,618
Available-for-sale financial assets		5,732	5,732
Non-current deposits and prepayments		6,614	6,614
Deferred tax assets		9,705	8,983
		<u>2,380,961</u>	<u>2,476,938</u>
Current assets			
Properties under development		59,031	60,968
Inventories		528,633	610,372
Accounts and other receivables	12	1,950,163	2,021,894
Financial assets at fair value through profit or loss		721	637
Taxation recoverable		1,958	1,838
Restricted bank deposits		94,553	166,181
Bank balances and cash		453,148	359,466
		<u>3,088,207</u>	<u>3,221,356</u>
Current liabilities			
Accounts and other payables	13	1,121,476	1,392,023
Trust receipt loans	14	875,695	885,623
Taxation payable		58,539	53,517
Derivative financial instruments		—	55
Borrowings	14	732,142	510,465
		<u>2,787,852</u>	<u>2,841,683</u>
Net current assets		<u>300,355</u>	<u>379,673</u>
Total assets less current liabilities		<u>2,681,316</u>	<u>2,856,611</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2016

		Unaudited	Audited
		30 September	31 March
		2016	2016
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital	15	127,315	127,315
Reserves		<u>1,511,112</u>	<u>1,576,972</u>
		1,638,427	1,704,287
Non-controlling interests		<u>178,711</u>	<u>183,834</u>
Total equity		<u>1,817,138</u>	<u>1,888,121</u>
Non-current liabilities			
Accounts and other payables	13	238,953	71,140
Borrowings	14	526,271	804,019
Deferred tax liabilities		<u>98,954</u>	<u>93,331</u>
		<u>864,178</u>	<u>968,490</u>
		<u>2,681,316</u>	<u>2,856,611</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Operating activities		
Cash generated from/(used in) operations	147,774	(219,211)
Interest paid	(38,709)	(41,715)
Overseas taxation paid	(4,338)	—
Net cash generated from/(used in) operating activities	104,727	(260,926)
Investing activities		
Purchase of property, plant and equipment	(11,079)	(46,160)
Purchase of intangible assets	(50)	—
Proceeds from disposal of property, plant and equipment	530	5,483
Decrease in non-current deposits and prepayments	—	1,348
Interest received	2,200	5,753
Net cash used in investing activities	(8,399)	(33,576)
Financing activities		
Increase in bank loans	86,576	70,000
Increase in finance lease liabilities	1,872	—
Repayment of bank loans	(142,905)	(201,324)
Repayment of finance lease liabilities	(953)	(1,743)
Decrease in restricted bank deposits	71,628	53,735
(Decrease)/increase in trust receipt loans	(9,928)	312,839
Net cash generated from financing activities	6,290	233,507
Net increase/(decrease) in cash and cash equivalents	102,618	(60,995)
Cash and cash equivalents at 1 April	356,814	411,270
Effect of changes in exchange rates on cash and cash equivalents	(8,275)	(2,302)
Cash and cash equivalents at 30 September	451,157	347,973
Analysis of balances of cash and cash equivalents		
Bank balances and cash	453,148	347,973
Bank overdrafts	(1,991)	—
	451,157	347,973

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Unaudited					Total HK\$'000
	Attributable to owners of the Company				Non- controlling interests HK\$'000	
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
At 1 April 2015	127,315	834,470	871,561	1,833,346	178,887	2,012,233
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 (loss)/income, net of tax	—	(21,501)	19,293	(2,208)	5,032	2,824
Transactions with owners in their capacity as owners						
2014–2015 final dividend payable	—	—	(31,829)	(31,829)	—	(31,829)
At 30 September 2015	127,315	812,969	859,025	1,799,309	183,919	1,983,228
At 1 April 2016	127,315	695,899	881,073	1,704,287	183,834	1,888,121
Comprehensive income						
Profit for the period	—	—	27,705	27,705	3,483	31,188
Other comprehensive income						
Currency translation differences	—	(85,290)	—	(85,290)	(8,606)	(93,896)
Total comprehensive (loss)/income, net of tax	—	(85,290)	27,705	(57,585)	(5,123)	(62,708)
Transactions with owners in their capacity as owners						
2015–2016 final dividend payable	—	—	(8,275)	(8,275)	—	(8,275)
At 30 September 2016	127,315	610,609	900,503	1,638,427	178,711	1,817,138

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, property development as well as leasing of investment properties. The Group is also engaged in the trading of consumable aeronautic parts, marine services and retail business. 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 23 November 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 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 2016, 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 2016, 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 2016 and adopted by the Group:

Annual Improvements Project	Annual improvements 2012–2014 cycle	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendment to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016

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 announcement.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The following new and revised standards have been issued but are not effective for the financial year beginning on 1 April 2016 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendment to HKAS 7	Disclosure initiative	1 January 2017
Amendment to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has commenced an assessment of the impact of the above new and amended standards 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 2016.

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 2016. 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 2016.

	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	<u>721</u>	<u>—</u>	<u>—</u>	<u>721</u>
Available-for-sale financial assets				
— Insurance policy	<u>—</u>	<u>—</u>	<u>4,563</u>	<u>4,563</u>
— Other investment	<u>—</u>	<u>—</u>	<u>1,169</u>	<u>1,169</u>
	<u>—</u>	<u>—</u>	<u>5,732</u>	<u>5,732</u>
Derivative financial instruments				
— Interest rate swap	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>721</u></u>	<u><u>—</u></u>	<u><u>5,732</u></u>	<u><u>6,453</u></u>

The following table presents the Group's financial assets/(liabilities) that were measured at fair value at 31 March 2016.

	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	<u>637</u>	<u>—</u>	<u>—</u>	<u>637</u>
Available-for-sale financial assets				
— Insurance policy	<u>—</u>	<u>—</u>	<u>4,563</u>	<u>4,563</u>
— Other investment	<u>—</u>	<u>—</u>	<u>1,169</u>	<u>1,169</u>
	<u>—</u>	<u>—</u>	<u>5,732</u>	<u>5,732</u>
Derivative financial instruments				
— Interest rate swap	<u>—</u>	<u>(55)</u>	<u>—</u>	<u>(55)</u>
	<u><u>637</u></u>	<u><u>(55)</u></u>	<u><u>5,732</u></u>	<u><u>6,314</u></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:

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Opening	5,732	4,953
Net changes in fair value transferred to equity	<u>—</u>	<u>779</u>
Closing	<u>5,732</u>	<u>5,732</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 2016.

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 2016, 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 development and investment: developing properties for sale and leasing of investment properties; and
- (4) Others: including trading and marketing of aeronautic parts and provision of related services and the provision of marine services to marine, oil and gas industries and retail business.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible assets, properties under development, inventories, receivables, financial instruments 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 2016 is as follows:

	Unaudited Six months ended 30 September 2016				
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Total HK\$'000
SEGMENT RESULTS					
Total segment revenue	1,999,714	570,004	11,052	86,619	2,667,389
Inter-segment revenue	(140,105)	(16,840)	(874)	(3,502)	(161,321)
Revenue from external customers	1,859,609	553,164	10,178	83,117	2,506,068
Reportable segment results	46,921	37,397	10,711	(12,486)	82,543
Corporate expenses					(3,406)
Operating profit					79,137
Finance costs					(38,709)
Profit before taxation					40,428
Taxation					(9,240)
Profit for the period					31,188
OTHER PROFIT AND LOSS ITEMS					
Depreciation	4,148	23,230	—	5,881	33,259
Amortisation charges	525	2,059	—	70	2,654
Unaudited As at 30 September 2016					
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Total HK\$'000
SEGMENT ASSETS					
Reportable segment assets	2,220,767	2,529,843	516,239	190,511	5,457,360
Taxation recoverable					1,958
Deferred tax assets					9,705
Corporate assets					145
Total assets					5,469,168

5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 September 2015 and as at 31 March 2016 are as follows:

	Unaudited				
	Six months ended 30 September 2015				
	Paper trading	Paper manufacturing	Property development and investment	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SEGMENT RESULTS					
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)
Revenue from external customers	2,016,543	486,949	7,594	95,471	2,606,557
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)
Profit before taxation					30,455
Taxation					(6,099)
Profit for the period					24,356
OTHER PROFIT AND LOSS ITEMS					
Depreciation	4,959	21,615	—	4,968	31,542
Amortisation charges	1,353	2,091	—	73	3,517
SEGMENT ASSETS					
Reportable segment assets	2,199,458	2,698,056	579,624	210,181	5,687,319
Taxation recoverable					1,838
Deferred tax assets					8,983
Corporate assets					154
Total assets					5,698,294

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

5. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	380,918	481,336
The PRC (<i>note</i>)	1,897,941	1,939,717
Singapore	44,176	53,354
Korea	170,193	112,196
Malaysia	12,840	19,954
	<u>2,506,068</u>	<u>2,606,557</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	
	2016	2015
	HK\$'000	HK\$'000
Crediting		
Interest income	2,200	5,753
Write-back of provision for inventories	3,283	1,944
Write-back of provision for receivables	<u>13,627</u>	<u>4,921</u>
Charging		
Depreciation of property, plant and equipment	33,259	31,542
Amortisation of land use rights	2,175	2,727
Amortisation of intangible assets	479	790
Provision for impairment on receivables	<u>3,917</u>	<u>15,236</u>

7. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax	5,203	4,540
Overseas taxation	4,037	1,559
	<u>9,240</u>	<u>6,099</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\$27,177,000 (2015: HK\$18,765,000) by the weighted average number of 1,141,076,000 (2015: 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 (2015: Nil) has been granted under the scheme.

	Unaudited	
	Six months ended 30 September	
	2016	2015
Profit attributable to owners of the Company (HK\$'000)	<u>27,705</u>	<u>19,293</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>HK2.2 cents</u>	<u>HK1.5 cents</u>

9. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Proposed — HK\$0.004 (2015: HK\$0.004) per ordinary share	4,564	4,564
Proposed — HK\$0.004 (2015: HK\$0.004) per preference share	528	528
	<u>5,092</u>	<u>5,092</u>

At a meeting held on 23 November 2016, 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 2017.

10. PROPERTY PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Unaudited		
	Property, plant and equipment	Land use rights	Construction in progress
	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 September 2015			
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	<u>1,345,973</u>	<u>159,708</u>	<u>463,206</u>
Six months ended 30 September 2016			
Opening net book amount at 1 April 2016	1,447,517	143,266	307,708
Currency translation differences	(42,061)	(4,118)	(20,306)
Additions	8,609	—	2,470
Disposals	(310)	—	—
Depreciation and amortisation	(37,830)	(2,175)	—
Closing net book amount at 30 September 2016	<u>1,375,925</u>	<u>136,973</u>	<u>289,872</u>

11. INTANGIBLE ASSETS

	Unaudited <i>HK\$'000</i>
Six months ended 30 September 2015	
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>
Six months ended 30 September 2016	
Opening net book amount at 1 April 2016	41,618
Addition	50
Currency translation differences	(543)
Amortisation	<u>(485)</u>
Closing net book amount at 30 September 2016	<u>40,640</u>

12. ACCOUNTS AND OTHER RECEIVABLES

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Accounts and bills receivables — net of provision	1,258,914	1,370,261
Other receivables, deposits and prepayments	<u>691,249</u>	<u>651,633</u>
	<u>1,950,163</u>	<u>2,021,894</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 and bills receivables based on invoice date, is as follows:

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Current to 60 days	1,036,781	1,120,722
61 to 90 days	103,375	116,879
Over 90 days	<u>118,758</u>	<u>132,660</u>
	<u>1,258,914</u>	<u>1,370,261</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 AND OTHER PAYABLES

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Accounts and bills payables	1,093,958	1,236,617
Accruals and other payables	258,196	226,546
Dividend payable	8,275	—
	1,360,429	1,463,163
Less: non-current portions:		
Accounts and other payables	(238,953)	(71,140)
	1,121,476	1,392,023

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

The aging analysis of accounts and bills payables based on invoice date is as follows:

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Current to 60 days	729,537	913,964
61 to 90 days	151,120	161,266
Over 90 days	213,301	161,387
	1,093,958	1,236,617

14. BORROWINGS

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Non-current		
Bank loans — unsecured	514,667	783,947
Bank loans — secured (note 18)	6,499	15,405
Finance lease liabilities	5,105	4,667
	<u>526,271</u>	<u>804,019</u>
Current		
Trust receipt loans — unsecured	754,693	786,670
Trust receipt loans — secured (note 18)	121,002	98,953
	<u>875,695</u>	<u>885,623</u>
Bank loans — unsecured	710,508	488,480
Bank loans — secured (note 18)	17,526	17,697
Bank overdrafts	1,991	2,652
Finance lease liabilities	2,117	1,636
	<u>732,142</u>	<u>510,465</u>
Total current borrowings	<u>1,607,837</u>	<u>1,396,088</u>
Total borrowings	<u>2,134,108</u>	<u>2,200,107</u>

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	Audited	Unaudited	Audited	Unaudited	Audited
	30 September 2016 HK\$'000	31 March 2016 HK\$'000	30 September 2016 HK\$'000	31 March 2016 HK\$'000	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Within one year	1,991	2,652	728,034	506,177	875,695	885,623
In the second year	—	—	515,088	413,952	—	—
In the third to fifth years inclusive	—	—	1,265	380,215	—	—
Over five years	—	—	4,813	5,185	—	—
	<u>1,991</u>	<u>2,652</u>	<u>1,249,200</u>	<u>1,305,529</u>	<u>875,695</u>	<u>885,623</u>

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 1.9% to 5.4% per annum (31 March 2016: 2.0% to 5.8% per annum).

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

Finance lease liabilities

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	2,208	1,890
Later than 1 year but not later than 5 years	5,273	4,814
Later than 5 years	42	347
	<u>7,523</u>	<u>7,051</u>
Future finance charges on finance leases	(301)	(748)
Present value of finance lease liabilities	<u>7,222</u>	<u>6,303</u>

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	2,117	1,636
Later than 1 year and no later than 5 years	5,065	4,413
Later than 5 years	40	254
	<u>7,222</u>	<u>6,303</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 2016	Audited 31 March 2016	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Authorised:				
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>
Issued and fully paid:				
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 2016 and 31 March 2016, no share option was granted or outstanding.

16. BANK GUARANTEES

As at 30 September 2016, 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 2016 amounted to HK\$2,126,886,000 (31 March 2016: HK\$2,193,804,000).

17. COMMITMENTS

(a) Capital commitments

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

	Unaudited 30 September 2016 HK\$'000	Audited 31 March 2016 HK\$'000
Property, plant and equipment Contracted but not provided for	<u>200,468</u>	<u>115,599</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:

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Not later than one year	34,543	39,547
Later than one year and not later than five years	22,263	40,459
Later than five years	1,312	1,755
	<u>58,118</u>	<u>81,761</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:

	Unaudited 30 September 2016 <i>HK\$'000</i>	Audited 31 March 2016 <i>HK\$'000</i>
Not later than one year	18,078	18,858
Later than one year and not later than five years	7,858	16,897
	<u>25,936</u>	<u>35,755</u>

18. CHARGE OF ASSETS

As at 30 September 2016, trust receipt loans of HK\$121,002,000 (31 March 2016: HK\$98,953,000) and bank loans of HK\$24,025,000 (31 March 2016: HK\$33,102,000) were secured by legal charges on the Group's land and building and investment properties with aggregate net book amount of approximately HK\$577,670,000 (31 March 2016: HK\$575,436,000).

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	
	2016	2015
	HK\$'000	HK\$'000
(a) Purchase of merchandise from a related company		
Purchase of merchandise from an investee company	<u>269,613</u>	<u>258,456</u>

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

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
(b) Payables to a related company		
Payables to an investee company	<u>185,974</u>	<u>191,371</u>

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

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
(c) Sales to a related party		
Sale of merchandise to an investee company	<u>36,513</u>	<u>—</u>

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

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
(d) Receivables from a related company		
Receivables from an investee company	<u>6,943</u>	<u>—</u>

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

	Unaudited Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
(e) Key management compensation		
Key management compensation	<u>6,928</u>	<u>6,928</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the review period, the US economy grew at a moderate pace whilst the UK and Eurozone surrounded by uncertainties. The China's economy has shown a steady upward trend with gross domestic product expanded at 6.7% in the third quarter of 2016 at the same pace as in the previous two quarters, which was supported by increase in government spending, fixed asset investment and retail sales while industrial output eased.

In Hong Kong, the Territory's economy experienced a modest growth, with real GDP in the third quarter of 2016 up by 1.9% over the preceding year, compared with the 1.7% increase in the second quarter. Despite the economy expanded at a slow pace, local retail sales decreased 9.6% for the first nine months of 2016. The slowdown in inbound tourism has battered the retail market and local consumption sentiment has been lackluster.

The Paper Industry

For the reporting period, paper and board prices have been stabled at a low level as demand grew up yet supplies remained high. Several rounds of price hikes have been achieved for packaging grades paper products in the second part of the period, which is mainly attributable to the demand uptrend fueled by online shopping spree in China's domestic market and the rising costs in fiber, energy and freight encountered by paper mills. Owing to high bad loans ratio confronted by banks in Mainland, customers were continuously experiencing relatively difficulty to have credit granted from banks to ease their liquidity for working capital uses or for business expansion. Under such market situation, keen competition continued to come along with new orders, especially those from good quality customers.

Overview of Operations

Financial Performance

Against this competitive operating environment, in addition to closely monitoring the creditability of customers, a flexible, appropriate and cautious strategy on sales and procurement has been strictly adopted in developing the Group's businesses. Effect benefited from measures implemented in the previous period have been reflected in the Group's performance for the period, during which the Group achieved a steady growth in sales volume at 5.0% with a 3.9% decrease in overall turnover to HK\$2,506,068,000 as a result of the growth in volume coming from packaging grades paper products with relatively low average unit selling price. The gross profit increased by 1.8% to HK\$253,999,000 with a 6.0% increase in the gross profit margin from 9.6% to 10.1%. The profit for the period rose by 28.1% to HK\$31,188,000. Profit attributable to the owners of the Company rose by 43.6% from HK\$19,293,000 to HK\$27,705,000. Basic earnings per share were HK2.4 cents.

Strategies implementation has been a key priority of the Group which led to achievement of the targets set for the period. The Group intends to keep an appropriate level of cash reserve to enhance the working capital position as well as to seek further investment opportunities ahead. As at 30 September 2016, the Group had cash and bank balance (including restricted bank deposit) of HK\$547,701,000 with a gearing ratio at a healthy level of 46.6%. This enables the Group to lower interest costs by 7.2% to HK\$38,709,000. As consequence of exercising a stringent credit policy as well as reducing inventory level, the working capital is shortened by 18 days. The effort of tightening credit control procedures and monitoring customers' business situation have gradually shown effect. As a result, the provision for impairment on receivables is at HK\$3,917,000, representing 0.2% of the Group's total revenue while the written back of the provision is HK\$13,627,000.

Paper Business

With a significant growth in paper manufacturing segment, extensive sales network in paper trading segment and strong procurement capability among suppliers, the Group registered a rise of 5.0% in sales volume from 545,583 metric tons to 573,104 metric tons while a decrease of 3.6% in turnover from HK\$2,503,492,000 to HK\$2,412,773,000 was recorded, mainly resulting from growth in volume of packaging grades paper products with relatively low average unit selling price. Operating profit was HK\$84,318,000.

For paper trading business, owing to the conservative sales strategies focusing on the customers' creditability and Group's profitability, the Group reported a 7.8% decline in turnover of HK\$1,859,609,000, and a slightly decrease of 1.2% in sales tonnage.

Turnover from paper trading business in the PRC market reduced 7.4% to HK\$1,343,802,000 whilst a slightly decrease of 0.4% in volume due to increase of sales ratio generated from packaging grades paper products with relatively lower unit selling price. At the same time, Hong Kong market achieved a turnover of HK\$332,774,000, slipped by 23.1% compared to the corresponding last period, primarily owing to less orders attained by customers amid the dull export market environment. As for other Asian countries, the business rose significantly at 38.5% in sales to HK\$183,033,000 as compared to the corresponding last period, mainly resulted from the strong growth in export sales achieved by office in Korea.

For paper manufacturing business, the segment's turnover rose by 14.8%, including inter-segment revenue, to HK\$570,004,000 with a significant growth of 21.7% in the sales tonnage, mostly resulting from its well established customer base and its sales strategy adopted with an aim to expand its market share. Operating profit is HK\$37,397,000 and its operating profit margin stood at 6.8%.

Property Development and Investment

For the period under review, the rental income generated from the investment properties with a value of HK\$515,500,000 rose by 34.0% to HK\$10,178,000. The segment provides a continuous steady inflow of income to the Group, which enhanced to strengthen the financial position of the Group. As for the Nantong business park project, the design, planning, and general layout have been finalized by a competent and professional project team during the reviewed period. In addition to that, approval on business park planning from relevant Bureau has been granted in September 2016, with which the Group stepped into the process of applying the construction permit and other relevant permits for further development. The first phase construction work on the business park is expected to be commenced in the fourth quarter of 2016.

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\$16,075,000 and HK\$28,101,000 respectively during the period under review.

During the period, the retail business faced a challenging market environment, declining consumer spending and fragile consumer confidence. The management was aggressively expanding direct import products and strategically strengthening category advantages to increase our competitive position in the market. Benefits from the Group's investment on ERP computer system in 2015 has been gradually reflected and improved operation efficiency. At the same time, the Group's investment on merchandiser management training has resulted in steadily increasing product margin. The segment's revenue decreased 7.4% from HK\$41,020,000 to HK\$37,970,000. The gross profit margin of store sales improved significantly by 4.89 percentage point, partly attributable to the implementation of new pricing strategy. Amid the adverse retail business environment, the segment narrowed down an operating loss by 15.4% to HK\$9,620,000.

Prospects

In October 2016, on account of boomed construction industry, stronger government spending and more upbeat growing of smaller firms, activity in China's manufacturing sector expanded at the fastest pace comparing with the past two years, signifying the China's economy was stabilizing and building a steadier footing. The nation's credit risk dilemma, however, has not been resolved. Only economy stability is confirmed and also not as risky as expected earlier yet remain heavily dependent on credit expansion to attain its GDP growth objectives.

China's provincial authorities continue to carry out the shut-down exercise of outdated production capacity. Paper prices show a sign of stabilizing as the imbalance of supply and demand situation has been gradually improved. The Group remains cautious to develop its businesses and acts in an orderly manner to fend off financial risks. In pursuing the business of paper trading and manufacturing, the Group continues to uphold those measures taken since previous period with an aim to keep a low inventory level and to lower customers' credit risk whilst maintain the profitability.

For the property development and investment segment, the Group continues to allocate more resources to concentrate on developing the Nantong business park project. The local government has exerted substantial support to the project and put tremendous effort in attracting foreign capitals and potential investors from a wide variety of businesses. Results from the Group's marketing activities on Nantong project, several investors from various industries have shown their interests in investing in the business park. Further additional steady inflow of recurring income and enhancement of profitability as well as cash flow of the Group are expected to be provided by this project.

The Group is continuing to enhance and improve retail business. Significant improvements are made to wine and frozen product categories. Its direct import product range is being expanded in order to offer consumers with a wider choice of higher quality products at a reasonable price while making a more encouraging profit to the business. The Group will not only continue investing in the consumer offerings to result in a steadily and healthy growth in sales and margin, but also committed to enhancing their competitive position in the market.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.4 cent (2015: HK0.4 cent) per share for the six months ended 30 September 2016. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 16 December 2016. The interim dividend will be paid around 11 January 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 December 2016 to 16 December 2016 (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 13 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed 1,757 staff members, 187 of whom are based in Hong Kong and 1,240 are based in the PRC and 330 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 2016, short term deposits plus bank balances amounted to HK\$548 million (including restricted bank deposits of HK\$95 million) and bank borrowings amounted to HK\$2,134 million.

As at 30 September 2016, the Group's gearing ratio was 46.6% (31 March 2016: 47.0%), calculated as net debt divided by total capital. Net debt of HK\$1,586 million is calculated as total borrowings of HK\$2,134 million (including trust receipt loans, short term and long term borrowings, finance lease obligations and bank overdraft) less cash on hand and restricted deposits of HK\$548 million. Total capital is calculated as total equity of HK\$1,817 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.11 times (31 March 2016: 1.13 times).

With bank balances and other current assets of approximately HK\$3,088 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 2016, bank borrowings in Renminbi amounted to HK\$91 million (31 March 2016: HK\$123 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 2016, 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 W'ing 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 2016, 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 2016, 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 2016, 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

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

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

Name of shareholder	Number of CP shares	Percentage
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 2016.

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 2016 amounted to HK\$2,126,886,000 (31 March 2016: HK\$2,193,804,000).

CHARGE OF ASSETS

As at 30 September 2016, trust receipt loans of HK\$121,002,000 (31 March 2016: HK\$98,953,000) and bank loans of HK\$24,025,000 (31 March 2016: HK\$33,102,000) 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 2016 before it was tabled for the Board’s approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2016, 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 2016 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 announcement, 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, 23 November 2016