森信集團
Samson group

Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2018/2019 Interim Report

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 2018 together with comparative figures for the corresponding period in 2017, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2018 with audited comparative figures as at 31 March 2018. The unaudited condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		Unaudited	
		Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	5	**3,110,500**	2,932,492
Cost of sales		**(2,799,721)**	(2,646,033)
Gross profit		**310,779**	286,459
Other gains and income, net		**25,697**	27,522
Selling expenses		**(104,374)**	(100,775)
Administrative expenses		**(124,282)**	(117,822)
Other operating expenses		**(3,005)**	(5,697)
Operating profit	6	**104,815**	89,687
Finance costs		**(34,755)**	(39,296)
Profit before taxation		**70,060**	50,391
Taxation	7	**(17,713)**	(11,669)
Profit for the period		**52,347**	38,722
Attributable to:			
Owners of the Company		**47,151**	33,714
Non-controlling interests		**5,196**	5,008
		52,347	38,722
Earnings per share			
— Basic	8	**HK4.1 cents**	HK2.9 cents
— Diluted	8	**HK3.7 cents**	HK2.6 cents
Interim dividend per share		**HK0.4 cent**	HK0.4 cent
Interim dividends	9	**5,092**	5,092

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Unaudited	
	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**52,347**	38,722
Other comprehensive (loss)/income		
Item that may be reclassified subsequently to profit or loss:		
— Currency translation differences	**(309,129)**	125,211
Other comprehensive (loss)/income for the period, net of tax	**(309,129)**	125,211
Total comprehensive (loss)/income for the period	**(256,782)**	163,933
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	**(239,594)**	151,489
— Non-controlling interests	**(17,188)**	12,444
Total comprehensive (loss)/income for the period	**(256,782)**	163,933

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

	Note	**Unaudited 30 September 2018 *HK$'000***	Audited 31 March 2018 *HK$'000*
Non-current assets			
Property, plant and equipment	10	**1,988,083**	2,016,631
Land use rights	10	**114,806**	128,067
Investment properties		**694,000**	494,000
Intangible assets	11	**41,999**	42,387
Available-for-sale financial assets		**—**	5,986
Financial assets at fair value through profit or loss	21	**4,817**	—
Financial assets at fair value through other comprehensive income	21	**1,169**	—
Non-current deposits and prepayments		**96,851**	107,479
Deferred tax assets		**7,456**	7,456
		2,949,181	2,802,006
Current assets			
Properties under development		**135,385**	139,502
Inventories		**802,619**	840,028
Accounts and other receivables	12	**2,070,527**	2,152,495
Taxation recoverable		**4,460**	4,160
Restricted bank deposits		**135,090**	168,707
Bank balances and cash		**387,849**	360,072
		3,535,930	3,664,964
Non-current assets held for sale		**—**	200,000
		3,535,930	3,864,964
Total assets		**6,485,111**	6,666,970
Current liabilities			
Accounts and other payables	13	**1,490,690**	1,558,807
Receipt in advance	16	**17,181**	13,393
Trust receipt loans	14	**688,037**	954,848
Taxation payable		**111,428**	97,913
Borrowings	14	**858,907**	490,952
		3,166,243	3,115,913
Net current assets		**369,687**	749,051
Total assets less current liabilities		**3,318,868**	3,551,057

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2018

	Note	**Unaudited 30 September 2018 HK$'000**	Audited 31 March 2018 HK$'000
Equity			
Equity attributable to owners of the Company			
Share capital	15	**127,315**	127,315
Reserves		**1,702,961**	1,977,595
		1,830,276	2,104,910
Non-controlling interests		**222,787**	240,947
Total equity		**2,053,063**	2,345,857
Non-current liabilities			
Accounts and other payables	13	**204,807**	31,872
Borrowings	14	**964,247**	1,071,256
Deferred tax liabilities		**96,751**	102,072
		1,265,805	1,205,200
		3,318,868	3,551,057

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Unaudited	
	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Operating activities		
Cash generated from operations	**200,269**	95,610
Interest paid	**(34,755)**	(39,296)
Overseas taxation paid	**(7,055)**	(6,748)
Net cash generated from operating activities	**158,459**	49,566
Investing activities		
Purchase of property, plant and equipment	**(157,501)**	(84,548)
Purchase of intangible assets	**(1,982)**	(172)
Proceeds from disposal of property, plant and equipment	**413**	1,138
Increase in non-current deposits and prepayments	**(2,418)**	(35,012)
Acquisition of additional interest from a non-controlling interest	**(1,000)**	—
Interest received	**5,089**	2,382
Net cash used in investing activities	**(157,399)**	(116,212)
Financing activities		
Increase in bank loans	**487,126**	839,960
Repayment of bank loans	**(202,623)**	(683,473)
Repayment of finance lease liabilities	**(992)**	(820)
Decrease in restricted bank deposits	**25,245**	56,542
Decrease in trust receipt loans	**(266,811)**	(165,335)
Net cash generated from financing activities	**41,945**	46,874
Net increase/(decrease) in cash and cash equivalents	**43,005**	(19,772)
Cash and cash equivalents at 1 April	**357,369**	455,270
Effect of changes in exchange rates on cash and cash equivalents	**(15,066)**	16,250
Cash and cash equivalents at 30 September	**385,308**	451,748
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**387,849**	454,241
Bank overdrafts	**(2,541)**	(2,493)
	385,308	451,748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Unaudited					
	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	127,315	597,738	946,486	1,671,539	204,579	1,876,118
Comprehensive income						
Profit for the period	—	—	33,714	33,714	5,008	38,722
Other comprehensive loss						
Currency translation differences	—	117,775	—	117,775	7,436	125,211
Total comprehensive (loss)/income, net of tax	—	117,775	33,714	151,489	12,444	163,933
Transactions with owners in their capacity as owners						
2016–2017 final dividend payable	—	—	(24,190)	(24,190)	—	(24,190)
At 30 September 2017	127,315	715,513	956,010	1,798,838	217,023	2,015,861
At 1 April 2018	**127,315**	**869,518**	**1,108,077**	**2,104,910**	**240,947**	**2,345,857**
Comprehensive income						
Profit for the period	**—**	**—**	**47,151**	**47,151**	**5,196**	**52,347**
Other comprehensive income						
Currency translation differences	**—**	**(286,745)**	**—**	**(286,745)**	**(22,384)**	**(309,129)**
Total comprehensive income, net of tax	**—**	**(286,745)**	**47,151**	**(239,594)**	**(17,188)**	**(256,782)**
Transactions with owners in their capacity as owners						
2017-2018 final dividend payable	**—**	**—**	**(35,012)**	**(35,012)**	**—**	**(35,012)**
Acquisition of non-controlling interest	**—**	**(28)**	**—**	**(28)**	**(972)**	**(1,000)**
At 30 September 2018	**127,315**	**582,745**	**1,120,216**	**1,830,276**	**222,787**	**2,053,063**

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

Notes

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 wholesaling of fast-moving consumer goods ("FMCG") 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 28 November 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 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 2018, 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 2018, 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.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 21 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The following new standards, amendments to standards and new interpretation have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HK(IFRIC) - Int 23	Uncertainty over income tax treatments	1 April 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021

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 2018.

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 2018. There have been no significant changes in the risk management policies since year end.

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 assets/(liabilities) that are measured at fair value at 30 September 2018.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss				
— Insurance policy	**—**	**—**	**4,817**	**4,817**
Financial assets at fair value through other comprehensive income				
— Other investment	**—**	**—**	**1,169**	**1,169**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (continued)

The following table presents the Group's assets/(liabilities) that were measured at fair value at 31 March 2018.

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets				
— Insurance policy	—	—	4,817	4,817
— Other investment	—	—	1,169	1,169
	—	—	5,986	5,986

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The following table presents the changes in level 3 instruments:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Opening	**5,986**	5,866
Net changes in fair value transferred to equity	**—**	120
Closing	**5,986**	5,986

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 2018.

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 2018, 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 retailing and wholesaling of fast-moving consumer goods ("FMCG") business.

5. SEGMENT INFORMATION (CONTINUED)

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

The segment information for the six months ended and as at 30 September 2018 is as follows:

	Unaudited Six months ended 30 September 2018				
	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	2,404,106	785,220	30,455	64,832	3,284,613
Inter-segment revenue	(141,438)	(11,000)	(18,953)	(2,722)	(174,113)
Revenue from external customers	2,262,668	774,220	11,502	62,110	3,110,500
Reportable segment results	47,125	54,743	10,031	(2,895)	109,004
Corporate expenses					(4,189)
Operating profit					104,815
Finance costs					(34,755)
Profit before taxation					70,060
Taxation					(17,713)
Profit for the period					52,347
OTHER PROFIT AND LOSS ITEMS					
Depreciation	5,485	25,970	315	3,619	35,389
Amortisation charges	614	2,091	35	32	2,772

5. SEGMENT INFORMATION (CONTINUED)

	Paper trading	Paper manufacturing	Property development and investment	Others	Total
	Unaudited As at 30 September 2018				
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
SEGMENT ASSETS					
Reportable segment assets	**2,371,289**	**3,045,213**	**880,774**	**175,845**	**6,473,121**
Taxation recoverable					**4,460**
Deferred tax assets					**7,456**
Corporate assets					**74**
Total assets					**6,485,111**

The segment information for the six months ended 30 September 2017 and as at 31 March 2018 are as follows:

	Paper trading	Paper manufacturing	Property development and investment	Others	Total
	Unaudited Six months ended 30 September 2017				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT RESULTS					
Total segment revenue	2,368,027	600,446	10,179	62,010	3,040,662
Inter-segment revenue	(98,104)	(6,801)	—	(3,265)	(108,170)
Revenue from external customers	2,269,923	593,645	10,179	58,745	2,932,492
Reportable segment results	46,535	43,555	9,250	(2,970)	96,370
Corporate expenses					(6,683)
Operating profit					89,687
Finance costs					(39,296)
Profit before taxation					50,391
Taxation					(11,669)
Profit for the period					38,722
OTHER PROFIT AND LOSS ITEMS					
Depreciation	4,436	23,013	116	4,734	32,299
Amortisation charges	504	2,035	—	67	2,606

5. SEGMENT INFORMATION (CONTINUED)

	Audited As at 31 March 2018				
	Paper trading	Paper manufacturing	Property development and investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT ASSETS					
Reportable segment assets	2,529,090	3,095,324	870,594	160,229	6,655,237
Taxation recoverable					4,160
Deferred tax assets					7,456
Corporate assets					117
Total assets					6,666,970

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	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**398,852**	465,469
The PRC *(note)*	**2,470,809**	2,203,806
Singapore	**24,195**	30,446
Korea	**152,244**	213,296
Malaysia	**64,400**	19,475
	3,110,500	2,932,492

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	
	2018	2017
	HK$'000	*HK$'000*
Crediting		
Interest income	**2,471**	2,382
Write-back of provision for impairment on receivables	**3,170**	1,616
Charging		
Depreciation of property, plant and equipment	**35,389**	32,299
Amortisation of land use rights	**2,174**	2,117
Amortisation of intangible assets	**598**	489
Provision for impairment on inventories	**1,200**	473
Provision for impairment on receivables	**1,631**	6,137

7. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 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	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax	**4,593**	4,932
Overseas taxation	**13,120**	6,737
	17,713	11,669

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 share dividends of HK$46,623,000 (2017: HK$33,186,000) by the weighted average number of 1,141,076,000 (2017: 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 (2017: Nil) has been granted under the scheme.

	Unaudited Six months ended 30 September	
	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**47,151**	33,714
Weighted average number of ordinary shares in issue *('000)*	**1,141,076**	1,141,076
Adjustments for:		
— Assumed conversion of preference shares *('000)*	**132,065**	132,065
Weighted average number of shares for diluted earnings per share *('000)*	**1,273,141**	1,273,141
Diluted earnings per share	**HK3.7 cents**	HK2.6 cents

9. INTERIM DIVIDENDS

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Proposed — HK$0.004 (2017: HK$0.004) per ordinary share	**4,564**	4,564
Proposed — HK$0.004 (2017: HK$0.004) per preference share	**528**	528
	5,092	5,092

At a meeting held on 28 November 2018, 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 2019.

10. PROPERTY PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Unaudited		
	Property, plant and equipment *HK$'000*	Land use rights *HK$'000*	Construction in progress *HK$'000*
Six months ended 30 September 2017			
Opening net book amount at 1 April 2017	1,353,149	119,289	334,489
Currency translation differences	53,358	4,948	8,487
Additions	4,952	—	79,596
Disposals	(1,121)	—	—
Depreciation and amortisation	(36,626)	(2,117)	—
Closing net book amount at 30 September 2017	1,373,712	122,120	422,572
Six months ended 30 September 2018			
Opening net book amount at 1 April 2018	**1,539,665**	**128,067**	**476,966**
Currency translation differences	**(124,288)**	**(11,087)**	**(23,134)**
Additions	**6,699**	**—**	**150,802**
Disposals	**(400)**	**—**	**—**
Depreciation and amortisation	**(38,227)**	**(2,174)**	**—**
Closing net book amount at 30 September 2018	**1,383,449**	**114,806**	**604,634**

11. INTANGIBLE ASSETS

	Unaudited *HK$'000*
Six months ended 30 September 2017	
Opening net book amount at 1 April 2017	39,361
Currency translation differences	1,083
Addition	172
Amortisation	(489)
Closing net book amount at 30 September 2017	40,127
Six months ended 30 September 2018	
Opening net book amount at 1 April 2018	**42,387**
Currency translation differences	**(1,772)**
Addition	**1,982**
Amortisation	**(598)**
Closing net book amount at 30 September 2018	**41,999**

12. ACCOUNTS AND OTHER RECEIVABLES

	Unaudited 30 September 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Accounts and bills receivables — net of provision	**1,408,854**	1,480,253
Other receivables, deposits and prepayments	**661,673**	672,242
	2,070,527	2,152,495

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 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Current to 60 days	**1,231,095**	1,288,059
61 to 90 days	**94,881**	104,488
Over 90 days	**82,878**	87,706
	1,408,854	1,480,253

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 2018 ***HK$'000***	Audited 31 March 2018 *HK$'000*
Accounts and bills payables	**1,438,893**	1,366,678
Accruals and other payables	**221,592**	224,001
Dividend payable	**35,012**	—
	1,695,497	1,590,679
Less: non-current portions:		
Accounts and other payables	**(204,807)**	(31,872)
	1,490,690	1,558,807

13. ACCOUNTS AND OTHER PAYABLES (CONTINUED)

The carrying values of the 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 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Current to 60 days	**1,140,187**	1,049,647
61 to 90 days	**52,328**	140,683
Over 90 days	**246,378**	176,348
	1,438,893	1,366,678

14. BORROWINGS

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
Non-current		
Bank loans — unsecured	**947,443**	1,051,430
Bank loans — secured *(note 19)*	**15,044**	17,279
Finance lease liabilities	**1,760**	2,547
Total non-current borrowings	**964,247**	1,071,256
Current		
Trust receipt loans — unsecured	**504,786**	812,047
Trust receipt loans — secured *(note 19)*	**183,251**	142,801
	688,037	954,848
Bank loans — unsecured	**813,181**	454,533
Bank loans — secured *(note 19)*	**41,639**	31,790
Bank overdrafts	**2,541**	2,703
Finance lease liabilities	**1,546**	1,926
	858,907	490,952
Total current borrowings	**1,546,944**	1,445,800
Total borrowings	**2,511,191**	2,517,056

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 2018 HK$'000	Audited 31 March 2018 HK$'000	**Unaudited 30 September 2018 HK$'000**	Audited 31 March 2018 HK$'000	**Unaudited 30 September 2018 HK$'000**	Audited 31 March 2018 HK$'000
Within one year	**2,541**	2,703	**854,820**	486,323	**688,037**	954,848
In the second year	**—**	—	**472,663**	461,038	**—**	—
In the third to fifth years inclusive	**—**	—	**481,335**	597,548	**—**	—
Over five years	**—**	—	**8,489**	10,123	**—**	—
	2,541	2,703	**1,817,307**	1,555,032	**688,037**	954,848

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 2.7% to 5.7% per annum (31 March 2018: 2.6% to 5.7% per annum).

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

Finance lease liabilities

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	**1,722**	2,104
Later than 1 year but not later than 5 years	**1,992**	2,832
	3,714	4,936
Future finance charges on finance leases	**(408)**	(463)
Present value of finance lease liabilities	**3,306**	4,473

	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	**1,546**	1,926
Later than 1 year and no later than 5 years	**1,760**	1,756
Later than 5 years	**—**	791
	3,306	4,473

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

15. SHARE CAPITAL

	Number of shares of HK$0.10 each		Share capital	
	Unaudited	Audited	**Unaudited**	Audited
	30 September	31 March	**30 September**	31 March
	2018	2018	**2018**	2018
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares				
At beginning and end of the period/year	**1,456,913,987**	1,456,913,987	**145,691**	145,691
Convertible non-voting preference shares				
At beginning and end of the period/year	**143,086,013**	143,086,013	**14,309**	14,309
Total	**1,600,000,000**	1,600,000,000	**160,000**	160,000
Issued and fully paid:				
Ordinary shares				
At beginning and end of the period/year	**1,141,075,827**	1,141,075,827	**114,108**	114,108
Convertible non-voting preference shares				
At beginning and end of the period/year	**132,064,935**	132,064,935	**13,207**	13,207
Total	**1,273,140,762**	1,273,140,762	**127,315**	127,315

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 2018 and 31 March 2018, no share option was granted or outstanding.

16. RECEIPT IN ADVANCE

As at 30 September 2018, receipt in advance of RMB15,079,415 (31 March 2018: RMB10,707,314) has been received from three potential purchasers with an estimated sales value of RMB35,410,255 on the first stage of phase one and second stage of phase one site covering a total GFA of 8,551 sq.m. for the Nantong Business Park project.

17. BANK GUARANTEES

As at 30 September 2018, 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 2018 amounted to HK$2,507,885,000 (31 March 2018: HK$2,512,583,000).

18. COMMITMENTS

(a) Capital commitments

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

	Unaudited 30 September 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
Property, plant and equipment Contracted but not provided for	**60,719**	140,733

(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 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
Not later than one year	**27,201**	31,613
Later than one year and not later than five years	**29,175**	41,440
Later than five years	**6,409**	7,396
	62,785	80,449

(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 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
Not later than one year	**10,735**	3,101
Later than one year and not later than five years	**13,922**	960
	24,657	4,061

19. CHARGE OF ASSETS

As at 30 September 2018, trust receipt loans of HK$183,251,000 (31 March 2018: HK$142,801,000) and bank loans of HK$56,683,000 (31 March 2018: HK$49,069,000) were secured by legal charges on the Group's land and building and investment properties, including those presented as assets classified as held for sale, with aggregate net book amount of approximately HK$322,298,000 (31 March 2018: HK$323,112,000).

20. 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	
	2018	2017
	HK$'000	*HK$'000*
(a) Purchase of merchandise from a related company		
Purchase of merchandise from an investee company	**467,596**	489,752

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

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
(b) Payables to a related company		
Payables to an investee company	**265,556**	395,543

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

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
(c) Sales to a related party		
Sale of merchandise to an investee company	**18,073**	17,872

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

20. RELATED PARTY TRANSACTIONS (CONTINUED)

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
(d) Receivables from a related company		
Receivables from an investee company	**—**	7,020

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

	Unaudited Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
(e) Key management compensation		
Key management compensation	**6,928**	6,928

21. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated financial information and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on the financial information

As explained in notes 21(b)(i) and 21(c)(i) below, HKFRS 9 and HKFRS 15 were adopted by the Group without restating comparative information. As a result, the reclassifications and adjustments arising from the adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening condensed consolidated balance sheet as at 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Condensed consolidated balance sheet (extract)

	31 March 2018	**Effect of HKFRS 9**	**Effect of HKFRS 15**	**1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Other non-current assets				
— available-for-sale financial assets	5,986	(5,986)	—	—
Financial assets at fair value through profit or loss ("FVPL")	—	4,817	—	4,817
Financial assets at fair value through other comprehensive income ("FVOCI")	—	1,169	—	1,169

21. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 9 Financial Instruments

(i) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial instruments" from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are set out below.

Reclassification from available-for-sale to FVPL

Certain debt investments were reclassified from available-for-sale to financial assets at FVPL (HK$4,817,000 as at 1 April 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Reclassification from available-for-sale to FVOCI

The Group elected to present in other comprehensive income changes in the fair value of certain equity investments previously classified as available-for-sale, because these investments are held as long term strategic investments that are not expected to be sold in the short to medium term. As a result, these investments were reclassified from available-for-sale financial assets to financial assets at FVOCI (HK$1,169,000 as at 1 April 2018).

Other than that, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

Financial asset at amortised cost include accounts and other receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all accounts receivables.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL is insignificant as at 1 April 2018.

The Group adopted expected credit risk model on other financial asset at amortised cost other than accounts and other receivables and concluded that the impact is insignificant as at 1 April 2018.

21. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 9 Financial Instruments (Continued)

(ii) HKFRS 9 Financial Instruments — Accounting policies applied from 1 April 2018

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains, net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated statement of profit or loss.

21. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Adoption of HKFRS 9 Financial Instruments (Continued)

(ii) HKFRS 9 Financial Instruments — Accounting policies applied from 1 April 2018 (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains, net" in the condensed consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Adoption of HKFRS 15 Revenue from Contracts with Customers

(i) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

HKFRS 15, "Revenue from Contracts with Customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contract" and related interpretations. The new accounting policies are set out below.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18.

The new standard requires the Group to estimate the total consideration, including an estimate of future variable consideration, receive in exchange for the goods delivered. The Group's revenue streams are not significant impacted by the new standard.

21. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of HKFRS 15 Revenue from Contracts with Customers (Continued)

(ii) HKFRS 15 Revenue from Contracts with Customers —Accounting Policy

Sale of goods

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer at a point in time, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Economy

During the financial period under review, the trade friction between the US and China has caused much uncertainty in the global economy and many corporations have become more cautious. China's economic growth decelerated to 6.5% year-on-year in the third quarter of 2018 and at the weakest pace since 2009 in the light of the escalating challenges brought by the trade tension with the US since July 2018. The official manufacturing Purchasing Mangers' Index for September 2018 fell to a seven-month low of 50.8 from 51.3 in August with domestic and export demand also softening. The economic data out of China has maintained stability so far for the period despite the trade dispute with the U.S.. Many exporters have already front-loaded their shipments before American tariffs on the goods came into effect. As the banks in China were carrying out deleveraging as well as taking measures to reduce risk, they were at the same time not easing restrictions on liquidity to customers for working capital.

In Hong Kong, the local economy sustained strong growth momentum, with real gross domestic product expanding 3.5% year-on-year in the second quarter of 2018.

The Paper Industry

Price for printing paper grades continued to stay at higher level amid the high pulp costs. As for packaging boards with recycled grades after an upward adjustments in May 2018 at the backdrop of increasing furnish costs, price for the grades has been softening since then while the demand has slackened. With the prevailing circumstances of the trade dispute, customers have tended to keep very low stocks and were not willing to place orders upfront while they were facing the challenge of tighter liquidity in the PRC market. There were also concerns as to whether customers were able to withstand the high paper prices and increased operating costs in their operations. There were keen competition for quality customers in the market.

Overview of Operations

Financial Performance

Amid the uncertain business operating environment, the Group has continued to execute the strategies of keeping lower stocks, carrying out more indent sales while closely monitoring customers' operations and implementing controls intended to mitigate credit risks, in order to pursue profitability rather than volume and market share. During the reporting period, the Group recorded a 6.1% growth in overall turnover to HK$3,110,500,000 while there was a 8.3% decrease in sales volume to 495,000 metric tonnes. Gross profit increased from the same period last year by 8.5% to HK$310,779,000 with an increase in gross profit margin from 9.8% to 10.0%. Profit attributable to the owners of the Company rose by 39.9% from HK$33,714,000 to HK$47,151,000. Basic earnings per share were HK4.1 cents. As Renminbi currency depreciated during the period, an unrealised currency translation loss of HK$309,129,000 (30 September 2017: gain of HK$125,211,000) recorded as other comprehensive loss, mainly arising from the translation of the PRC subsidiaries financial statements into the Group's reporting currency on consolidation.

The Group has continued to keep an appropriate level of cash reserves to enhance its working capital position for future investment opportunities. As at 30 September 2018, the Group had cash and bank balances (including a restricted bank deposit) of HK$522,939,000, with a gearing ratio at a healthy level of 49.2%. The finance costs were $34,755,000, accounting for 1.1% of the Group's total revenue. Owing to the ongoing stringent credit policy, as well as close monitoring of customers' liquidity and business operations, debtor turnover days of the Group shortened by one day compared with last corresponding period. The provision for impairment on receivables was HK$1,631,000, representing 0.1% of total revenue of the Group, while the write back of the provision was HK$3,170,000.

Paper Business

With strong growth in paper manufacturing segment, the Group achieved a 6.1% growth on turnover from HK$2,863,568,000 to HK$3,036,888,000, but the sales volume in terms of tonnage decreased by 8.4%. The operating profit was HK$101,868,000, increasing by 13.1% compared with the last corresponding period.

As for the paper trading business, the turnover slightly decreased by 0.3% to HK$2,262,654,000 with a decrease of 13.3% in sales tonnage resulting from the strategies of destocking and emphasis on the pursuit of profitability. In terms of market regions, turnover from the PRC market increased 5.3% to HK$1,695,102,000 with a 6.9% decrease in volume, while the Hong Kong market recorded a 18.0% decrease to HK$350,922,000. As for other Asian countries, the Group has put more efforts and resources on expansion of the business in the Malaysian region, sales in the region achieved a two-fold increase to HK$64,400,000 driven by winning significant tenders. In Korea, turnover dropped 28.6% to HK$152,244,000 as less tonnage allocation attained from local mills for export.

For paper manufacturing segment, the selling price of packaging boards maintained at high level with the high raw material costs. The Group achieved a strong turnover growth of 30.8% in the paper manufacturing business, including inter-segment revenue to HK$785,220,000, with sales tonnage increased 3.6%. The operating profit increased 25.7% to HK$54,743,000 with its operating profit margin at 7.1%.

Property Development and Investment

Property Development

For the Nantong Business Park project, the construction of properties with total gross floor area ('GFA') of 16,306 sq. m. for the first stage of phase one was completed and the acceptance and examination on completion of construction properties was obtained. As at 30 September 2018, deposits of RMB11,015,000 has been received from two potential purchasers with an estimated sales value of RMB21,861,000 on the first stage of phase one site covering a total GFA of 5,286 sq. m.. Once the relevant sales permit on the two said properties are approved, the ownership of the two said properties can be transferred and the sales revenue will be recorded. Application for a construction work planning permit on seven blocks of properties with total GFA of 18,730 sq. m. on the site for the second stage of phase one is in preparation. Deposits totaling RMB4,065,000 have been received from one potential purchaser for one of the blocks with an estimated sales value of RMB13,550,000 in total covering a total GFA of 3,265 sq.m. As at 30 September 2018, the costs of property under development amounted to HK$135,385,000.

The construction of the Xiamen project was completed and the acceptance and examination on completion of construction properties was obtained. Negotiation on leasing of certain portion of the properties with potential tenants was in progress.

Property Investment

During the period under review, rental income from investment properties with a value of HK$694,000,000 as at 30 September 2018 has increased 13.0% to HK$11,502,000 compared with the same period last year. Additional rental revenue from the paper trading and FMCG segments amounted to HK$18,953,000. Together with the rental earned from third parties of HK$11,502,000, the gross rental revenue of the property segment was HK$30,455,000 for the six months ended 30 September 2018.

Other Businesses

These business segments include the aeronautic parts and services business, marine services business, consumable product business and logistics services.

The aeronautic parts and services business and marine services business recorded a turnover of HK$5,322,000 and HK$18,627,000 respectively during the period under review, representing a decrease of 36.5% and 15.5% respectively compared with the same period last year. The drops of these businesses were mainly due to weak performance in the Singapore market.

During the reporting period, the Group changed its strategies within the consumable product business. Apart from franchisees, the Group is also striving to expand its wholesale direct consumer base. Owing to the improved performance in wholesale growth and product diversification, revenue of this segment surged 34.2% from HK$27,461,000 to HK$36,853,000, with the operating loss of HK$1,530,000.

Prospects

Looking ahead, a slight growth deceleration in the market during the third quarter of 2018 could be the start of a prolonged growth slowdown in China. The operating environment remains tough. In the face of these challenging conditions, continued business diversification would have a positive impact on the Group's overall profitability and sustainability.

Amid the economic slowdown in China, paper price softens as demand eases off. Compared to previous years, as costs of pulp and recovered paper are expected to remain high in the future, paper price is expected to stay at high level when demand picks up. Under these market conditions, the Group will keep closely monitoring and evaluating customers' operations to reduce credit risk. At the same time, the Group will continue its sales strategies with an intention of keeping reduced stock and securing more indent orders to mitigate the volatility of paper prices. In the manufacturing segment, the Group will upgrade its production facilities and power plant in order to realise cost savings, and to streamline and centralise internal processes for greater efficiency, ultimately strengthening its business overall. In the past few years, the Group has invested in expanding into Malaysia and the efforts have begun to bear fruit with trading turnover in that region increasing two-fold during the period under review. Meanwhile, the Group is assessing the possibility to set up a sales office in Southeast Asia to achieve better cost control and further market diversification.

In the property development and investment segment, the sales permit of the Nantong Business Park (the "Park") is pending for approval, while the application of the second stage of phase I construction will be submitted to the responsible planning authority in the second half of the financial year. The Group is seeking potential buyers for customized construction once the application is approved by the authority. The Park is expected to generate sales revenue for the Group in the coming years. As for the Xiamen project, the properties have been completed and subject to management decision, certain properties may be leased to third parties starting in December 2018, thus it may bring a stable revenue and cash inflow to the Group in the second half of the financial year.

As for the consumable product business segment, apart from wine, healthy food and frozen goods, the Group wishes to introduce a wider variety of food, such as foreign fruit, in order to meet the market demand, as well as to improve the operating performance of this segment.

Although the overall market is still challenging, the Group's persistent efforts and investment in diversifying its businesses in the past years have enabled it to successfully navigate the market uncertainty as well as prepare to capture opportunities in the future. Management is cautiously optimistic about the Group's prospects and will continue to carefully monitor the overall situation and proactively adjust its strategy as appropriate.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.4 cent (2017: HK0.4 cent) per share for the six months ended 30 September 2018. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 21 December 2018. The interim dividend will be paid around 10 January 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 December 2018 to 21 December 2018 (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 Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 pm on 18 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 1,877 staff members, 185 of whom are based in Hong Kong and 1,315 are based in the PRC and 377 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 2018, short term deposits plus bank balances amounted to HK$523 million (including restricted bank deposits of HK$135 million) and bank borrowings amounted to HK$2,511 million.

As at 30 September 2018, the Group's gearing ratio was 49.2% (31 March 2018: 45.9%), calculated as net debt divided by total capital. Net debt of HK$1,988 million is calculated as total borrowings of HK$2,511 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$523 million. Total capital is calculated as total equity of HK$2,053 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.12 times (31 March 2018: 1.24 times).

With bank balances and other current assets of approximately HK$3,536 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 2018, bank borrowings in Renminbi amounted to HK$256 million (31 March 2018: HK$119 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 2018, 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

		Number of ordinary shares beneficially held				
	Capacity	Personal interest	Corporate interest	Family interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner	128,459,688	688,533,247 *(note)*	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

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

Note: 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 2018, 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 2018, 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 2018, 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 2018.

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 2018 amounted to HK$2,508,000,000 (31 March 2018: HK$2,513,000,000).

CHARGE OF ASSETS

As at 30 September 2018, trust receipt loans of HK$183,000,000 (31 March 2018: HK$143,000,000) and bank loans of HK$57,000,000 (31 March 2018: HK$49,000,000) 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 2018 before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2018, 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 2018 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, 28 November 2018