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Samson group

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Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

Interim Report
2014/15



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 2014 together with comparative figures for the corresponding period in 2013, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2014 with audited comparative figures as at 31 March 2014. 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	
		2014 HK\$'000	2013 HK\$'000 (Note 19)
Revenue	4	2,751,969	2,577,012
Cost of sales		(2,502,186)	(2,339,711)
Gross profit		249,783	237,301
Other gains and income, net		9,906	10,732
Selling expenses		(82,761)	(89,435)
Administrative expenses		(100,844)	(92,616)
Other operating income		3,783	19,244
Operating profit	5	79,867	85,226
Finance costs		(45,265)	(51,157)
Profit before taxation		34,602	34,069
Taxation	6	(6,842)	(6,797)
Profit for the period		27,760	27,272
Attributable to:			
Owners of the Company		24,706	26,525
Non-controlling interests		3,054	747
		27,760	27,272
Earnings per share			
— Basic	7	HK2.1 cents	HK2.2 cents
— Diluted	7	HK1.9 cents	HK2.1 cents
Interim dividend per share		HK0.4 cent	HK0.4 cent
Interim dividends	8	5,092	5,092

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	27,760	27,272
Other comprehensive income		
Item that may be reclassified subsequently to profit and loss:		
— Currency translation differences	<u>18,972</u>	<u>15,771</u>
Other comprehensive income for the period, net of tax	<u>18,972</u>	<u>15,771</u>
Total comprehensive income for the period	<u>46,732</u>	<u>43,043</u>
Total comprehensive income attributable to:		
— Owners of the Company	42,456	41,182
— Non-controlling interests	<u>4,276</u>	<u>1,861</u>
Total comprehensive income for the period	<u>46,732</u>	<u>43,043</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2014

		Unaudited	Audited
		30 September	31 March
		2014	2014
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	9	1,845,805	1,808,574
Prepaid premium for land leases	9	170,628	153,876
Investment properties		226,000	226,000
Intangible assets	10	45,353	46,323
Available-for-sale financial assets		5,490	5,490
Non-current deposits		10,064	21,403
Deferred tax assets		6,382	7,120
		2,309,722	2,268,786
Current assets			
Inventories		735,527	760,655
Accounts receivable, deposits and prepayments	11	2,157,563	1,950,079
Financial assets at fair value through profit or loss		791	726
Taxation recoverable		3,450	3,749
Restricted bank deposits		197,437	205,893
Bank balances and cash		383,153	287,303
		3,477,921	3,208,405
Non-current assets held for sale		122,773	122,773
		3,600,694	3,331,178
Current liabilities			
Accounts payable and other payables	12	1,638,934	1,394,695
Trust receipt loans	13	681,848	639,453
Taxation payable		27,462	26,575
Derivative financial instruments		349	413
Borrowings	13	893,841	950,622
		3,242,434	3,011,758
Net current assets		358,260	319,420
Total assets less current liabilities		2,667,982	2,588,206

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2014

		Unaudited	Audited
		30 September	31 March
		2014	2014
	Note	HK\$'000	HK\$'000
Equity			
Equity attributable to owners of the Company			
Share capital	14	127,315	127,315
Reserves		1,642,194	1,604,830
Proposed dividend		5,092	11,459
		<u>1,647,286</u>	<u>1,616,289</u>
		1,774,601	1,743,604
Non-controlling interests		<u>174,275</u>	<u>169,999</u>
		1,948,876	<u>1,913,603</u>
Total equity			
Non-current liabilities			
Accounts payable	12	154,912	126,702
Borrowings	13	456,325	456,382
Deferred tax liabilities		107,869	91,519
		<u>719,106</u>	<u>674,603</u>
		2,667,982	<u>2,588,206</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Net cash inflow from operating activities	180,174	148,851
Net cash outflow from investing activities	(76,494)	(40,866)
Net cash outflow from financing activities	(8,838)	(104,739)
Net increase in cash and cash equivalents	94,842	3,246
Cash and cash equivalents at 1 April	287,303	389,452
Effect of change in exchange rate on cash and cash equivalents	43	3,936
Cash and cash equivalents at 30 September	<u>382,188</u>	<u>396,634</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	383,153	397,648
Bank overdrafts	(965)	(1,014)
	<u>382,188</u>	<u>396,634</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	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 2013	127,315	753,435	737,216	1,617,966	107,446	1,725,412
Comprehensive income						
Profit for the period	—	—	26,525	26,525	747	27,272
Other comprehensive income						
Currency translation differences	—	14,657	—	14,657	1,114	15,771
Total comprehensive income	—	14,657	26,525	41,182	1,861	43,043
Transactions with owners						
2012–2013 final dividend payable	—	—	(14,005)	(14,005)	—	(14,005)
Proposed 2013–2014 interim dividend	127,315	768,092	744,644	1,640,051	109,307	1,749,358
At 30 September 2013	127,315	768,092	749,736	1,645,143	109,307	1,754,450
At 1 April 2014	127,315	841,656	774,633	1,743,604	169,999	1,913,603
Comprehensive income						
Profit for the period	—	—	24,706	24,706	3,054	27,760
Other comprehensive income						
Currency translation differences	—	17,750	—	17,750	1,222	18,972
Total comprehensive income	—	17,750	24,706	42,456	4,276	46,732
Transactions with owners						
2013–2014 final dividend payable	—	—	(11,459)	(11,459)	—	(11,459)
Proposed 2014–2015 interim dividend	127,315	859,406	782,788	1,769,509	174,275	1,943,784
At 30 September 2014	127,315	859,406	787,880	1,774,601	174,275	1,948,876

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

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing, trading and marketing of paper products. The Group is also engaged in the trading of consumable aeronautic parts, marine services and retail business as well as in holding investment properties. Detailed analysis of these business segments are set out in note 4 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 20 November 2014.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 March 2014, 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 2014 and adopted by the Group:

HKAS 32 (Amendment)	Financial instruments: Presentation — offsetting financial assets and financial liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement — novation of derivatives	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities	1 January 2014
HK(IFRIC) — Int 21	Levies	1 January 2014

The adoption of the above new and revised standards and interpretation has no significant impact to the Group’s financial position for all periods presented in this report.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The following new and revised standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2014 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions	1 July 2014
HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10, HKFRS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
Annual Improvements Projects	Annual improvements 2010–2012 Cycle	1 July 2014
Annual Improvements Projects	Annual improvements 2011–2013 Cycle	1 July 2014
Annual Improvements Projects	Annual improvements 2012–2014 Cycle	1 January 2016

The directors of the Company are currently assessing the impact on their adoption and the impact of adoption of these new standards, revised standards and amendments and interpretations to existing standards in future periods is not currently known or cannot be reasonably estimated.

3. FINANCIAL RISK MANAGEMENT

3.1 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 2014. There have been no significant changes in the risk management policies since the year end.

3.2 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).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (continued)

The following table presents the Group's assets/(liabilities) that are measured at fair value at 30 September 2014.

	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>791</u>	<u>—</u>	<u>—</u>	<u>791</u>
Available-for-sale financial assets				
— Insurance policy	<u>—</u>	<u>—</u>	<u>4,321</u>	<u>4,321</u>
— Other investment	<u>—</u>	<u>—</u>	<u>1,169</u>	<u>1,169</u>
	<u>—</u>	<u>—</u>	<u>5,490</u>	<u>5,490</u>
Derivative financial instruments				
— Interest rate swap	<u>—</u>	<u>(349)</u>	<u>—</u>	<u>(349)</u>
	<u>791</u>	<u>(349)</u>	<u>5,490</u>	<u>5,932</u>

The following table presents the Group's assets/(liabilities) that were measured at fair value at 31 March 2014.

	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>726</u>	<u>—</u>	<u>—</u>	<u>726</u>
Available-for-sale financial assets				
— Insurance policy	<u>—</u>	<u>—</u>	<u>4,321</u>	<u>4,321</u>
— Other investment	<u>—</u>	<u>—</u>	<u>1,169</u>	<u>1,169</u>
	<u>—</u>	<u>—</u>	<u>5,490</u>	<u>5,490</u>
Derivative financial instruments				
— Interest rate swap	<u>—</u>	<u>(413)</u>	<u>—</u>	<u>(413)</u>
	<u>726</u>	<u>(413)</u>	<u>5,490</u>	<u>5,803</u>

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (continued)

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.

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 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Opening	5,490	5,624
Additions	—	—
Disposals	—	(252)
Net changes in fair value transferred to equity	—	118
Closing	<u>5,490</u>	<u>5,490</u>

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. 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 2014, the Group is organised on a worldwide basis into three 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) Others: including trading and marketing of aeronautic parts and provision of related services, the provision of marine services to marine, oil and gas industries, retail business and investment property holding.

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

4. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited			
	Six months ended 30 September 2014			
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
SEGMENT RESULTS				
Total segment revenue	2,256,985	492,253	84,700	2,833,938
Inter-segment revenue	<u>(12,744)</u>	<u>(65,063)</u>	<u>(4,162)</u>	<u>(81,969)</u>
Revenue from external customers	<u>2,244,241</u>	<u>427,190</u>	<u>80,538</u>	<u>2,751,969</u>
Reportable segment results	49,025	36,803	(764)	85,064
Corporate expenses				<u>(5,197)</u>
Operating profit				79,867
Finance costs				<u>(45,265)</u>
Profit before taxation				34,602
Taxation				<u>(6,842)</u>
Profit for the period				<u>27,760</u>
OTHER PROFIT AND LOSS ITEMS				
Depreciation	<u>5,415</u>	<u>22,863</u>	<u>4,810</u>	<u>33,088</u>
Amortisation charges	<u>860</u>	<u>1,749</u>	<u>68</u>	<u>2,677</u>
SEGMENT ASSETS				
Reportable segment assets	2,929,674	2,451,814	517,743	5,899,231
Taxation recoverable				3,450
Deferred tax assets				6,382
Corporate assets				<u>1,353</u>
Total assets				<u>5,910,416</u>

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 September 2013 and as at 31 March 2014 are as follows:

	Unaudited			Total HK\$'000
	Six months ended 30 September 2013 (Note 19)			
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Others HK\$'000	
SEGMENT RESULTS				
Total segment revenue	2,264,038	376,257	78,624	2,718,919
Inter-segment revenue	(12,454)	(126,040)	(3,413)	(141,907)
Revenue from external customers	2,251,584	250,217	75,211	2,577,012
Reportable segment results	62,115	21,241	6,686	90,042
Corporate expenses				(4,816)
Operating profit				85,226
Finance costs				(51,157)
Profit before taxation				34,069
Taxation				(6,797)
Profit for the period				27,272
OTHER PROFIT AND LOSS ITEMS				
Depreciation	5,206	21,361	4,261	30,828
Amortisation charges	857	1,788	38	2,683
SEGMENT ASSETS				
Reportable segment assets	2,747,668	2,328,190	513,162	5,589,020
Taxation recoverable				3,749
Deferred tax assets				7,120
Corporate assets				75
Total assets				5,599,964

4. SEGMENT INFORMATION (CONTINUED)

The Group's three 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	
	2014	2013
	HK\$'000	HK\$'000
		(Note 19)
Hong Kong	514,231	500,535
The PRC (note)	2,029,958	1,683,992
Singapore	60,372	65,252
Korea	123,723	270,073
Malaysia	21,901	51,971
USA	1,784	5,189
	<u>2,751,969</u>	<u>2,577,012</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.

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Crediting		
Interest income	3,805	5,149
Provision for impairment on inventories written back	9,933	4,720
Provision for impairment on receivables written back	<u>1,968</u>	<u>16,710</u>
Charging		
Depreciation of property, plant and equipment	33,088	30,828
Amortisation of prepaid premium for land leases	2,198	2,238
Amortisation of intangible assets	479	445
Provision for impairment on receivables	<u>5,751</u>	<u>3,555</u>

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 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	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong profits tax	2,060	4,356
Overseas taxation	4,782	2,441
	<u>6,842</u>	<u>6,797</u>

7. 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\$23,517,000 (2013: HK\$25,072,000) by the weighted average number of 1,141,076,000 (2013: 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 (2013: Nil) has been granted under the scheme. Such scheme has been expired on 26 February 2014.

	Unaudited	
	Six months ended 30 September	
	2014	2013
Profit attributable to owners of the Company (HK\$'000)	<u>24,706</u>	<u>26,525</u>
Weighted average number of ordinary shares in issue ('000)	1,141,076	1,141,076
Adjustments for:		
— Assumed conversion of preference shares ('000)	<u>132,065</u>	<u>132,065</u>
Weighted average number of shares for diluted earnings per share ('000)	<u>1,273,141</u>	<u>1,273,141</u>
Diluted earnings per share	<u>HK1.9 cents</u>	<u>HK2.1 cents</u>

8. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Proposed — HK\$0.004 (2013: HK\$0.004) per ordinary share	4,564	4,564
Proposed — HK\$0.004 (2013: HK\$0.004) per preference share	528	528
	5,092	5,092

At a meeting held on 20 November 2014, 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 2015.

9. PROPERTY PLANT AND EQUIPMENT AND PREPAID PREMIUM FOR LAND LEASES

	Unaudited		
	Property, plant and equipment	Prepaid premium for land leases	Construction in progress
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 September 2013			
Opening net book amount at 1 April 2013	1,324,080	157,483	371,746
Currency translation differences	12,851	1,634	3,857
Additions	20,775	—	34,298
Transfer	1,316	—	(1,316)
Disposals	(1,057)	—	—
Depreciation and amortisation	(34,157)	(2,238)	—
Closing net book amount at 30 September 2013	1,323,808	156,879	408,585
Six months ended 30 September 2014			
Opening net book amount at 1 April 2014	1,393,880	153,876	414,694
Currency translation differences	11,373	1,398	3,412
Additions	9,717	17,552	49,686
Transfer	63,014	—	(63,014)
Disposals	(521)	—	—
Depreciation and amortisation	(36,436)	(2,198)	—
Closing net book amount at 30 September 2014	1,441,027	170,628	404,778

10. INTANGIBLE ASSETS

	Unaudited <i>HK\$'000</i>
Six months ended 30 September 2013	
Opening net book amount at 1 April 2013	47,536
Currency translation differences	(485)
Additions	21
Amortisation	(445)
	<u>46,627</u>
Closing net book amount at 30 September 2013	<u>46,627</u>
Six months ended 30 September 2014	
Opening net book amount at 1 April 2014	46,323
Currency translation differences	(543)
Additions	52
Amortisation	(479)
	<u>45,353</u>
Closing net book amount at 30 September 2014	<u>45,353</u>

11. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Accounts receivable — net of provision	1,470,923	1,226,996
Other receivables, deposits and prepayments	686,640	723,083
	<u>2,157,563</u>	<u>1,950,079</u>

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

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

The aging analysis of accounts receivable is as follows:

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Current to 60 days	1,105,163	905,999
61 to 90 days	170,392	166,828
Over 90 days	195,368	154,169
	<u>1,470,923</u>	<u>1,226,996</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.

12. ACCOUNTS PAYABLE AND OTHER PAYABLES

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Accounts and bills payables	1,231,046	1,217,049
Accruals and other payables	551,341	304,348
Dividend payable	11,459	—
	<u>1,793,846</u>	<u>1,521,397</u>
Less: non-current portions:		
Accounts payable	<u>(154,912)</u>	<u>(126,702)</u>
	<u><u>1,638,934</u></u>	<u><u>1,394,695</u></u>

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

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

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Current to 60 days	889,895	733,272
61 to 90 days	101,321	176,890
Over 90 days	239,830	306,887
	<u>1,231,046</u>	<u>1,217,049</u>

13. BORROWINGS

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Non-current		
Bank loans — unsecured	408,975	400,000
Bank loans — secured (<i>note 17</i>)	43,461	52,903
Finance lease liabilities	3,889	3,479
	<hr/>	<hr/>
Total non-current borrowings	456,325	456,382
Current		
Trust receipt loans — unsecured	607,761	561,703
Trust receipt loans — secured (<i>note 17</i>)	74,087	77,750
	<hr/>	<hr/>
	681,848	639,453
Bank loans — unsecured	858,181	910,849
Bank loans — secured (<i>note 17</i>)	32,100	37,617
Bank overdrafts	965	—
Finance lease liabilities	2,595	2,156
	<hr/>	<hr/>
	893,841	950,622
Total current borrowings	1,575,689	1,590,075
	<hr/>	<hr/>
Total borrowings	2,032,014	2,046,457

13. 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 2014 HK\$'000	Audited 31 March 2014 HK\$'000	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Within one year	965	—	890,281	948,466	681,848	639,453
In the second year	—	—	417,201	410,034	—	—
In the third to fifth years inclusive	—	—	34,717	33,410	—	—
Over five years	—	—	518	9,459	—	—
	<u>965</u>	<u>—</u>	<u>1,342,717</u>	<u>1,401,369</u>	<u>681,848</u>	<u>639,453</u>

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 1.9% to 7.8% per annum (31 March 2014: 1.9% to 7.4% per annum).

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

Finance lease liabilities

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	2,724	2,274
Later than 1 year but not later than 5 years	3,994	3,528
Later than 5 years	102	103
	<u>6,820</u>	<u>5,905</u>
Future finance charges on finance leases	(336)	(270)
Present value of finance lease liabilities	<u>6,484</u>	<u>5,635</u>

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	2,595	2,156
Later than 1 year and no later than 5 years	3,791	3,379
Later than 5 years	98	100
	<u>6,484</u>	<u>5,635</u>

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

14. SHARE CAPITAL

	Number of shares of HK\$0.10 each		Share capital	
	Unaudited 30 September 2014	Audited 31 March 2014	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 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 2014 and 31 March 2014, no share option was granted or outstanding.

15. BANK GUARANTEES

As at 30 September 2014, 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 2014 amounted to HK\$2,025,530,000 (31 March 2014: HK\$2,040,822,000).

16. COMMITMENTS

(a) Capital commitments

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

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Property, plant and equipment		
Contracted but not provided for	<u>168,520</u>	<u>158,080</u>

16. 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 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Not later than one year	26,906	27,197
Later than one year and not later than five years	13,656	17,204
Later than five years	1,820	1,920
	42,382	46,321

(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 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Not later than one year	14,002	15,245
Later than one year and not later than five years	20,534	26,681
	34,536	41,926

17. CHARGE OF ASSETS

As at 30 September 2014, trust receipt loans of HK\$74,087,000 (31 March 2014: HK\$77,750,000) and bank loans of HK\$75,561,000 (31 March 2014: HK\$90,520,000) were secured by legal charges on the Group's land and building and investment properties with aggregate net book amount of approximately HK\$277,287,000 (31 March 2014: HK\$277,908,000) and non-current asset held for sale with aggregate net book amount of HK\$122,773,000 (31 March 2014: HK\$122,773,000).

18. 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	
	2014	2013
	HK\$'000	HK\$'000
(a) Purchase of merchandise from a related company	<u>164,778</u>	<u>115,055</u>

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

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
(b) Payables to a related company	<u>125,965</u>	<u>79,888</u>

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

	Unaudited	
	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
(c) Key management compensation		
Key management compensation	<u>6,928</u>	<u>6,928</u>

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation, of which rental income HK\$5,698,000 has been reclassified from "Other gains and income, net" to "Revenue" and corresponding expenses HK\$1,082,000 has been reclassified from "Administrative expenses" to "Cost of sales". The directors consider the reclassification reflects the principal activity on leasing of investment properties. These reclassifications have no impact on the Group's total equity as at both 30 September 2014 and 31 March 2014, or on the Group's profit for the period ended 30 September 2014 and 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the review period, the global economy slackened amid the slowdown in economic growth in countries including the Eurozone, China and Japan despite the gradual economic recovery in the United States. China's economy grew at its slowest pace, reporting a gross domestic product ("GDP") growth of 7.3% in the third quarter of 2014, the weakest growth rate since the first quarter of 2009 and slower than the growth of 7.5% in the second quarter of 2014.

The Hong Kong economy experienced a modest growth, with the real GDP in the third quarter of 2014 up by 2.7% over the preceding year, up from 1.8% in the previous quarter. Exports remained weak in the face of the same sluggish global economic conditions that affected the mainland China.

The Paper Industry

For the reporting period, paper and board demand remained weak due to China's economic slowdown. Producers were cautious to adjust paper and board prices upwards and mainly focused on boosting sales. Paper and board prices stayed flat at low levels. Bank credit tightened under the tight monetary policy. This coupled with the cautious market sentiment have caused fierce competition, with some of competitors sacrificing margin to alleviate their tight liquidity position. Margin and profitability of the industry were under pressure.

Overview of Operations

Financial Performance

Against this challenging operating environment, the Group has timely adjusted its sales and procurement strategies to ensure a balance between growth in turnover and profitability. At the same time, the Group watched closely the customer credit risk in the situation of tight money supplies. During the review period, the Group's turnover recorded a growth of 6.8% reaching HK\$2,751,969,000. In terms of sales volume, the growth was even as high as 18.4%.

To tackle the adverse market conditions, the Group pursued flexible sales and procurement strategies in various sales locations with a low level of inventories. At the same time, the management continued to take further measures to optimize the logistics and warehousing arrangement with customers and suppliers to enhance the profitability. Gross profit for the period increased 5.3% to HK\$249,783,000. Profit attributable to the owners of the Company was recorded at HK\$24,706,000 (2013/2014: HK\$26,525,000). Basic earnings per share were HK2.1 cents (2013/2014: HK2.2 cents).

While the Group has made every effort to maintain a healthy financial position, the Group intends to keep an appropriate level of cash reserve to enhance the working capital position under the volatile market environment. As at 30 September, 2014 the Group had cash and bank balance (including restricted bank deposit) of HK\$580,590,000 with a gearing ratio at a healthy level of 42.7%. This enables the Group to lower interest costs by 11.5% to HK\$45,265,000. During the period, the Group continued to exercise a stringent credit policy as well as to compress the level of inventory even with the Group attaining a growth in revenue. Despite the worsening operating environment, the working capital cycle is shortened by 3 days. In terms of provisions for doubtful debt, it currently represents 0.21% of the Group's total revenue before taking into account of the write back of the provision of HK\$1,968,000. This further indicates that the Group's financial policy is able to fend off unstable market sentiment.

By business segment, paper trading, paper manufacturing and other businesses accounted for 81.6%, 15.5% and 2.9% of the Group's total turnover respectively.

Paper Business

With the well established sales network across the PRC region, coupled with a significant growth in the revenue of paper manufacturing segment, the Group's paper product business registered an increase of 6.8% in turnover from HK\$2,501,829,000 to HK\$2,671,425,000. In volume terms, the sales tonnage rose by 18.4% from 466,400 metric tonnes to 552,300 metric tonnes. Operating profit rose by 2.96% to HK\$85,828,000.

For paper trading business, the Group reported a slight decrease of 0.3% in turnover of HK\$2,244,241,000, resulting from a contraction of export sales to overseas in the Group's other Asian countries due to aggressive Chinese mills sales out of China, but a 5.3% rise in sales tonnage, which is ascribed to expanding the sales of packaging boards in various cities in the PRC region.

The PRC market continued to be the main growth of the segment. Turnover from paper trading business in the market rose significantly by 11.9% to HK\$1,600,151,000 with a growth of 21% in volume even under an adverse market condition. The Hong Kong market, the Group's second key market, represented approximately 22.1% of its total paper trading sales, attained a turnover of HK\$496,677,000, a slight increase of 0.4% compared to the corresponding last period. As for other Asian countries, the business dropped 55% in sales to HK\$147,408,000 as compared to the corresponding last period. Less orders were secured by the Korea office for export markets resulting from the fierce competition from the Chinese mills which tried to absorb their excess tonnage in their domestic market.

For paper manufacturing business, the segment recorded a significant rise of 30.8% in turnover, including inter-segment revenue, to HK\$492,253,000 with a growth of 44.1% in the sales tonnage. The achieved result reflected the success of sales strategies that put intensive emphasis on product customerization as well as focus on developing customers at the mill's proximity. Operating profit increased 73.3% to HK\$36,803,000 compared to the corresponding last period with operating profit margin stood at 8.9%.

Other Businesses

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

The aeronautic parts and services business and marine services business recorded turnover of HK\$24,917,000 and HK\$35,455,000 respectively during the period under review.

As a result of implementing business optimization measures via warehousing consolidation, since the FY03/2008, various owned warehouses located in Hong Kong are released year by year and leased out to third parties with higher yields. These investment properties amounted to HK\$344,000,000 as at 30 September 2014. During the review period, the rental income amounted to HK\$6,605,000 compared to HK\$5,698,000 in previous period.

During the review period, the Group was entering into the local food retail market, through its chain of food stores under the brand of "FoodWise", which is a Hong Kong-based food store that inspires health and well-being, and is principally engaged in the sale of a selection of wholesome, affordable and convenient food. As at 30 September 2014, the Group is operating four shop locations in Hong Kong. Such retail business segment contributed HK\$10,946,000 to the Group's turnover for the period.

Prospects

China maintained its growth in GDP and expects to attain its growth of 7.5% for the year 2014, which will lead the corresponding natural growth in demand of paper products consumption, especially packaging products. The challenge in the imbalance of supply and demand in the paper industry would be relaxed by the continued elimination of the inefficient paper mills in China and the slowed down of paper production capacities expansion.

The Group will continue to facilitate prudent management, implement effective cost control measures and promote healthy policies in the Group to enhance staff morale and productivity. The Group will explore more potential markets in China and set up more domestic trading offices in the coming year. In order to fully utilize our extensive network offices and further penetrating the existing markets, we will aim to strengthen the management techniques, promote a higher service quality and increase efficiency of workforce usage.

To support our continuing business growth, the Group strategically enhances the efficiency and profitability of our warehousing facilities. Consolidation of existing warehouses in China and Hong Kong and more warehousing facilities will be explored to achieve the goal. Through warehousing consolidation in the China and Hong Kong offices, we are able to lease out the relevant properties and bring in additional rental income so as to generate an inflow of steady and recurring rental income.

The Group is in the process of expanding its arms into the local food retail business by tapping on our existing overseas purchasing network. In view of the high marketability of the Hong Kong retail food industry, the Group strategically invested in the local food retail business to market targeted varieties of food in its stores located in different areas in Hong Kong. In addition to the strategic broadening of our business scope, this will also generate positive cashflow. However, this business segment is at its preliminary stage which has yet to have a significant impact to the Group's results. In coming years, we will develop this business segment progressively. We expect more resources will be allocated to this business segment in order to fully develop its potential.

Diversification on business segments has not only greatly enhanced the Group's ability to better withstand market risks, but also enabled the Group to maintain a relatively high profitability and sustainability.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 0.4 cent (2013: HK 0.4 cent) per share for the six months ended 30 September 2014. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 19 December 2014. The interim dividend will be paid around 8 January 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 December 2014 to 19 December 2014 (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 16 December 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2014, the Group employed 1,731 staff members, 139 of whom are based in Hong Kong and 1,271 are based in the PRC and 321 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 2014, short term deposits plus bank balances amounted to HK\$581 million (including restricted bank deposits of HK\$197 million) and bank borrowings amounted to HK\$2,032 million.

As at 30 September 2014, the Group's gearing ratio was 42.7% (31 March 2014: 44.8%), calculated as net debt divided by total capital. Net debt of HK\$1,451 million is calculated as total borrowings of HK\$2,032 million (including trust receipt loans, short term and long term borrowings, and finance lease obligations) less cash on hand and restricted deposits of HK\$581 million. Total capital is calculated as total equity of HK\$1,949 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.11 times (31 March 2014: 1.11 times).

With bank balances and other current assets of approximately HK\$3,601 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 2014, bank borrowings in Renminbi amounted to HK\$369 million (31 March 2014: HK\$496 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 2014, 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 <i>(note)</i>	33,425,112	850,418,047	74.53%
Ms. SHAM Yee Lan, Peggy	Beneficial owner	1,145,112	32,280,000	816,992,935	850,418,047	74.53%
Mr. CHOW Wing Yuen	Beneficial owner	1,080,000	—	—	1,080,000	0.09%

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

	Capacity	Number of CP shares beneficially held			Total	Percentage
		Personal interest	Corporate interest	Family interest		
Mr. LEE Seng Jin	Beneficial owner	—	132,064,935 <i>(note)</i>	—	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 2014, 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 26 February 2004, 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 2014, 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 was expired on 26 February 2014.

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

As at 30 September 2014, 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 2014.

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 2014 amounted to HK\$2,026,000,000 (31 March 2014: HK\$2,041,000,000).

CHARGE OF ASSETS

As at 30 September 2014, trust receipt loans of HK\$74,087,000 (31 March 2014: HK\$77,750,000) and bank loans of HK\$75,561,000 (31 March 2014: HK\$90,520,000) 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 2014 before it was tabled for the Board's approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2014, 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 2014 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, 20 November 2014