



Interim Report

2017/2018

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Samson group

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Samson Paper Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2017 together with comparative figures for the corresponding period in 2016, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2017 with audited comparative figures as at 31 March 2017. 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 2017

	Note	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000
Revenue	5	2,932,492	2,506,068
Cost of sales		<u>(2,646,033)</u>	<u>(2,252,069)</u>
Gross profit		286,459	253,999
Other gains and income, net		27,522	13,464
Selling expenses		(100,775)	(102,778)
Administrative expenses		(117,822)	(99,299)
Other operating (expenses)/income		<u>(5,697)</u>	<u>13,751</u>
Operating profit	6	89,687	79,137
Finance costs		<u>(39,296)</u>	<u>(38,709)</u>
Profit before taxation		50,391	40,428
Taxation	7	<u>(11,669)</u>	<u>(9,240)</u>
Profit for the period		<u>38,722</u>	<u>31,188</u>
Attributable to:			
Owners of the Company		33,714	27,705
Non-controlling interests		<u>5,008</u>	<u>3,483</u>
		<u>38,722</u>	<u>31,188</u>
Earnings per share			
— Basic	8	<u>HK2.9 cents</u>	HK2.4 cents
— Diluted	8	<u>HK2.6 cents</u>	HK2.2 cents
Interim dividend per share		<u>HK0.4 cent</u>	HK0.4 cent
Interim dividends	9	<u>5,092</u>	<u>5,092</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period	38,722	31,188
Other comprehensive income/(loss)		
Item that may be reclassified subsequently to profit or loss:		
— Currency translation differences	<u>125,211</u>	<u>(93,896)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>125,211</u>	<u>(93,896)</u>
Total comprehensive income/(loss) for the period	<u>163,933</u>	<u>(62,708)</u>
Total comprehensive income/(loss) attributable to:		
— Owners of the Company	151,489	(57,585)
— Non-controlling interests	<u>12,444</u>	<u>(5,123)</u>
Total comprehensive income/(loss) for the period	<u>163,933</u>	<u>(62,708)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2017

		Unaudited	Audited
		30 September	31 March
		2017	2017
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	10	1,796,284	1,687,638
Land use rights	10	122,120	119,289
Investment properties		389,300	550,300
Intangible assets	11	40,127	39,361
Available-for-sale financial assets		5,866	5,866
Non-current deposits and prepayments		87,254	52,242
Deferred tax assets		6,822	6,822
		2,447,773	2,461,518
Current assets			
Properties under development		106,980	99,821
Inventories		702,319	773,544
Accounts and other receivables	12	1,988,229	1,705,844
Financial assets at fair value through profit or loss		1,110	913
Taxation recoverable		3,423	3,575
Restricted bank deposits		82,806	139,348
Bank balances and cash		454,241	457,951
		3,339,108	3,180,996
Non-current assets held for sale		161,000	—
		3,500,108	3,180,996
Current liabilities			
Accounts and other payables	13	1,500,484	1,324,572
Trust receipt loans	14	644,354	809,689
Taxation payable		76,965	72,196
Borrowings	14	459,500	528,109
		2,681,303	2,734,566
Net current assets		818,805	446,430
Total assets less current liabilities		3,266,578	2,907,948

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2017

		Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
	Note		
Equity			
Equity attributable to owners of the Company			
Share capital	15	127,315	127,315
Reserves		<u>1,671,523</u>	<u>1,544,224</u>
		1,798,838	1,671,539
Non-controlling interests		<u>217,023</u>	<u>204,579</u>
Total equity		<u>2,015,861</u>	<u>1,876,118</u>
Non-current liabilities			
Accounts and other payables	13	189,325	198,348
Borrowings	14	964,203	738,656
Deferred tax liabilities		<u>97,189</u>	<u>94,826</u>
		<u>1,250,717</u>	<u>1,031,830</u>
		<u>3,266,578</u>	<u>2,907,948</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operations	95,610	147,774
Interest paid	(39,296)	(38,709)
Overseas taxation paid	(6,748)	(4,338)
Net cash generated from operating activities	<u>49,566</u>	<u>104,727</u>
Investing activities		
Purchase of property, plant and equipment	(84,548)	(11,079)
Purchase of intangible assets	(172)	(50)
Proceeds from disposal of property, plant and equipment	1,138	530
Increase in non-current deposits and prepayments	(35,012)	—
Interest received	2,382	2,200
Net cash used in investing activities	<u>(116,212)</u>	<u>(8,399)</u>
Financing activities		
Increase in bank loans	839,960	86,576
Increase in finance lease liabilities	—	1,872
Repayment of bank loans	(683,473)	(142,905)
Repayment of finance lease liabilities	(820)	(953)
Decrease in restricted bank deposits	56,542	71,628
Decrease in trust receipt loans	(165,335)	(9,928)
Net cash generated from financing activities	<u>46,874</u>	<u>6,290</u>
Net (decrease)/increase in cash and cash equivalents	(19,772)	102,618
Cash and cash equivalents at 1 April	455,270	356,814
Effect of changes in exchange rates on cash and cash equivalents	16,250	(8,275)
Cash and cash equivalents at 30 September	<u>451,748</u>	<u>451,157</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	454,241	453,148
Bank overdrafts	(2,493)	(1,991)
	<u>451,748</u>	<u>451,157</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Unaudited					Total
	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings	Subtotal	Non-controlling interests	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2016	127,315	695,899	881,073	1,704,287	183,834	1,888,121
Comprehensive income						
Profit for the period	—	—	27,705	27,705	3,483	31,188
Other comprehensive loss						
Currency translation differences	—	(85,290)	—	(85,290)	(8,606)	(93,896)
Total comprehensive (loss)/income, net of tax	—	(85,290)	27,705	(57,585)	(5,123)	(62,708)
Transactions with owners in their capacity as owners						
2015–2016 final dividend payable	—	—	(8,275)	(8,275)	—	(8,275)
At 30 September 2016	127,315	610,609	900,503	1,638,427	178,711	1,817,138
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 income						
Currency translation differences	—	117,775	—	117,775	7,436	125,211
Total comprehensive 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

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

I. 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 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 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 2017, 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 2017, 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 standards and annual improvements are mandatory for the first time for the financial year beginning on 1 April 2017 and currently relevant to the Group:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to Annual Improvements Project HKFRS 12	Annual improvements 2014–2016 cycle

The Group has adopted these standards and the adoption of these standards do not have significant impacts on the Group’s condensed consolidated interim financial information.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The following new standards, amendments to standards, new interpretation and annual improvement have been issued but are not effective for the financial year beginning on 1 April 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to Annual Improvements Project HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 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

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 2017.

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 2017. 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 2017.

	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	1,110	—	—	1,110
Available-for-sale financial assets				
— Insurance policy	—	—	4,697	4,697
— Other investment	—	—	1,169	1,169
	—	—	5,866	5,866
	1,110	—	5,866	6,976

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 2017.

	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	913	—	—	913
Available-for-sale financial assets				
— Insurance policy	—	—	4,697	4,697
— Other investment	—	—	1,169	1,169
	—	—	5,866	5,866
Derivative financial instruments				
— Interest rate swap	—	—	—	—
	913	—	5,866	6,779

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. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The following table presents the changes in level 3 instruments:

	Unaudited 30 September 2017 <i>HK\$'000</i>	Audited 31 March 2017 <i>HK\$'000</i>
Opening	5,866	5,732
Net changes in fair value transferred to equity	<u>—</u>	<u>134</u>
Closing	<u>5,866</u>	<u>5,866</u>

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

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

4.6 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risk management as described in the annual financial statements for the year ended 31 March 2017.

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 2017, 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 FMCG business.

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.



5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended and as at 30 September 2017 is as follows:

	Unaudited Six months ended 30 September 2017				
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Total HK\$'000
SEGMENT RESULTS					
Total segment revenue	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	<u>2,269,923</u>	<u>593,645</u>	<u>10,179</u>	<u>58,745</u>	<u>2,932,492</u>
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					<u>38,722</u>
OTHER PROFIT AND LOSS ITEMS					
Depreciation	4,436	23,013	116	4,734	32,299
Amortisation charges	504	2,035	—	67	2,606
SEGMENT ASSETS					
Reportable segment assets	2,327,241	2,755,144	681,919	173,196	5,937,500
Taxation recoverable					3,423
Deferred tax assets					6,822
Corporate assets					136
Total assets					<u>5,947,881</u>

5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 September 2016 and as at 31 March 2017 are as follows:

	Unaudited Six months ended 30 September 2016				Total HK\$'000
	Paper trading HK\$'000	Paper manufacturing HK\$'000	Property development and investment HK\$'000	Others HK\$'000	
SEGMENT RESULTS					
Total segment revenue	1,999,714	570,004	11,052	86,619	2,667,389
Inter-segment revenue	(140,105)	(16,840)	(874)	(3,502)	(161,321)
Revenue from external customers	1,859,609	553,164	10,178	83,117	2,506,068
Reportable segment results	46,921	37,397	10,711	(12,486)	82,543
Corporate expenses					(3,406)
Operating profit					79,137
Finance costs					(38,709)
Profit before taxation					40,428
Taxation					(9,240)
Profit for the period					31,188
OTHER PROFIT AND LOSS ITEMS					
Depreciation	4,148	23,230	—	5,881	33,259
Amortisation charges	525	2,059	—	70	2,654
SEGMENT ASSETS					
Reportable segment assets	2,168,290	2,547,712	729,571	186,405	5,631,978
Taxation recoverable					3,575
Deferred tax assets					6,822
Corporate assets					139
Total assets					5,642,514

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

5. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong	465,469	380,918
The PRC (note)	2,203,806	1,897,941
Singapore	30,446	44,176
Korea	213,296	170,193
Malaysia	19,475	12,840
	<u>2,932,492</u>	<u>2,506,068</u>

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

6. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Crediting		
Interest income	2,382	2,200
Write-back of provision for inventories	—	3,283
Write-back of provision for receivables	1,616	13,627
	<u>4,000</u>	<u>19,110</u>
Charging		
Depreciation of property, plant and equipment	32,299	33,259
Amortisation of land use rights	2,117	2,175
Amortisation of intangible assets	489	479
Provision for impairment on inventories	473	—
Provision for impairment on receivables	6,137	3,917
	<u>41,515</u>	<u>42,830</u>

7. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong profits tax	4,932	5,203
Overseas taxation	6,737	4,037
	11,669	9,240

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\$33,186,000 (2016: HK\$27,177,000) by the weighted average number of 1,141,076,000 (2016: 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 (2016: Nil) has been granted under the scheme.

	Unaudited	
	Six months ended 30 September	
	2017	2016
Profit attributable to owners of the Company (HK\$'000)	33,714	27,705
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	HK2.6 cents	HK2.2 cents

9. INTERIM DIVIDENDS

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Proposed — HK\$0.004 (2016: HK\$0.004) per ordinary share	4,564	4,564
Proposed — HK\$0.004 (2016: HK\$0.004) per preference share	528	528
	5,092	5,092

At a meeting held on 28 November 2017, 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 2018.

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 2016			
Opening net book amount at 1 April 2016	1,447,517	143,266	307,708
Currency translation differences	(42,061)	(4,118)	(20,306)
Additions	8,609	—	2,470
Disposals	(310)	—	—
Depreciation and amortisation	(37,830)	(2,175)	—
Closing net book amount at 30 September 2016	1,375,925	136,973	289,872
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

11. INTANGIBLE ASSETS

	Unaudited <i>HK\$'000</i>
Six months ended 30 September 2016	
Opening net book amount at 1 April 2016	41,618
Currency translation differences	(543)
Addition	50
Amortisation	<u>(485)</u>
Closing net book amount at 30 September 2016	<u>40,640</u>
Six months ended 30 September 2017	
Opening net book amount at 1 April 2017	39,361
Currency translation differences	1,083
Addition	172
Amortisation	<u>(489)</u>
Closing net book amount at 30 September 2017	<u>40,127</u>

12. ACCOUNTS AND OTHER RECEIVABLES

	Unaudited 30 September 2017 <i>HK\$'000</i>	Audited 31 March 2017 <i>HK\$'000</i>
Accounts and bills receivables — net of provision	1,406,435	1,255,015
Other receivables, deposits and prepayments	<u>581,794</u>	<u>450,829</u>
	<u>1,988,229</u>	<u>1,705,844</u>

The carrying values of the Group's accounts and other receivables approximate their fair values. The Group normally grants credit to customers ranging from 30 to 90 days.

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

	Unaudited 30 September 2017 <i>HK\$'000</i>	Audited 31 March 2017 <i>HK\$'000</i>
Current to 60 days	1,236,194	1,066,100
61 to 90 days	92,287	90,253
Over 90 days	<u>77,954</u>	<u>98,662</u>
	<u>1,406,435</u>	<u>1,255,015</u>

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

13. ACCOUNTS AND OTHER PAYABLES

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Accounts and bills payables	1,432,505	1,325,959
Accruals and other payables	233,114	196,961
Dividend payable	<u>24,190</u>	<u>—</u>
	1,689,809	1,522,920
Less: non-current portions:		
Accounts and other payables	<u>(189,325)</u>	<u>(198,348)</u>
	<u>1,500,484</u>	<u>1,324,572</u>

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 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Current to 60 days	657,394	646,261
61 to 90 days	207,696	127,377
Over 90 days	<u>567,415</u>	<u>552,321</u>
	<u>1,432,505</u>	<u>1,325,959</u>

14. BORROWINGS

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Non-current		
Bank loans — unsecured	955,099	728,909
Bank loans — secured (note 18)	5,836	5,736
Finance lease liabilities	3,268	4,011
	<hr/>	<hr/>
Total non-current borrowings	964,203	738,656
	<hr/>	<hr/>
Current		
Trust receipt loans — unsecured	539,643	687,718
Trust receipt loans — secured (note 18)	104,711	121,971
	<hr/>	<hr/>
	644,354	809,689
	<hr/>	<hr/>
Bank loans — unsecured	414,596	494,486
Bank loans — secured (note 18)	40,405	28,859
Bank overdrafts	2,493	2,681
Finance lease liabilities	2,006	2,083
	<hr/>	<hr/>
	459,500	528,109
	<hr/>	<hr/>
Total current borrowings	1,103,854	1,337,798
	<hr/>	<hr/>
Total borrowings	2,068,057	2,076,454

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 2017 HK\$'000	Audited 31 March 2017 HK\$'000	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within one year	2,493	2,681	455,001	523,345	644,354	809,689
In the second year	—	—	185,614	479,394	—	—
In the third to fifth years inclusive	—	—	771,104	251,054	—	—
Over five years	—	—	4,217	4,197	—	—
	<u>2,493</u>	<u>2,681</u>	<u>1,415,936</u>	<u>1,257,990</u>	<u>644,354</u>	<u>809,689</u>

The effective interest rates at the balance sheet date on bank loans, bank overdrafts and trust receipt loans ranged from 2.0% to 5.2% per annum (31 March 2017: 2.3% to 5.2% per annum).

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

Finance lease liabilities

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Gross finance lease liabilities — minimum lease payments:		
Not later than 1 year	2,208	2,206
Later than 1 year but not later than 5 years	<u>3,630</u>	<u>4,201</u>
	5,838	6,407
Future finance charges on finance leases	<u>(564)</u>	<u>(313)</u>
Present value of finance lease liabilities	<u>5,274</u>	<u>6,094</u>
	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
The present value of finance lease liabilities is as follows:		
Not later than 1 year	2,006	2,083
Later than 1 year and no later than 5 years	3,268	1,791
Later than 5 years	<u>—</u>	<u>2,220</u>
	<u>5,274</u>	<u>6,094</u>

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

15. SHARE CAPITAL

	Number of shares of HK\$0.10 each		Share capital	
	Unaudited 30 September 2017	Audited 31 March 2017	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 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 2017 and 31 March 2017, no share option was granted or outstanding.

16. BANK GUARANTEES

As at 30 September 2017, 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 2017 amounted to HK\$2,062,783,000 (31 March 2017: HK\$2,070,360,000).

17. COMMITMENTS

(a) Capital commitments

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

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Property, plant and equipment Contracted but not provided for	<u>126,399</u>	<u>117,575</u>

17. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

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

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

	Unaudited 30 September 2017 <i>HK\$'000</i>	Audited 31 March 2017 <i>HK\$'000</i>
Not later than one year	28,474	28,550
Later than one year and not later than five years	40,625	12,370
Later than five years	3,463	2,641
	<u>72,562</u>	<u>43,561</u>

(c) Operating lease receivable

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

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

	Unaudited 30 September 2017 <i>HK\$'000</i>	Audited 31 March 2017 <i>HK\$'000</i>
Not later than one year	9,908	17,136
Later than one year and not later than five years	1,920	791
	<u>11,828</u>	<u>17,927</u>

18. CHARGE OF ASSETS

As at 30 September 2017, trust receipt loans of HK\$104,711,000 (31 March 2017: HK\$121,971,000) and bank loans of HK\$46,241,000 (31 March 2017: HK\$34,595,000) were secured by legal charges on the Group's land and building and investment properties with aggregate net book amount of approximately HK\$475,210,000 (31 March 2017: HK\$636,833,000) and non-current assets held for sale with aggregate net book amount of HK\$161,000,000 (31 March 2017: Nil).

19. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
(a) Purchase of merchandise from a related company		
Purchase of merchandise from an investee company	<u>489,752</u>	<u>269,613</u>

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

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
(b) Payables to a related company		
Payables to an investee company	<u>395,543</u>	<u>185,974</u>

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

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
(c) Sales to a related party		
Sale of merchandise to an investee company	<u>17,872</u>	<u>36,513</u>

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

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
(d) Receivables from a related company		
Receivables from an investee company	<u>7,020</u>	<u>6,943</u>

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

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
(e) Key management compensation		
Key management compensation	<u>6,928</u>	<u>6,928</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

During the financial period under review, China's economy advanced 6.8% year-on-year in the third quarter of 2017, following a 6.9% growth in the previous two periods amid government's effort to reduce overcapacity and debt risk. Industrial output and retail sales increased further while the gain in fixed investment eased. Exports and imports rose rapidly as boosted by stronger global demand. China's manufacturing activities in September 2017 grew at its fastest pace in five years as factories cranked up output to take advantage of strong demand and high prices fueled by a building boom.

In Hong Kong, the territory's economy experienced a strong growth, with real gross domestic product in the third quarter of 2017 increased by 3.6% over a year earlier, compared with the 3.9% increase in the second quarter. Such growth was mainly underpinned by the reviving regional trade flows.

The Paper Industry

For the reporting period, price for printing papers continued to stay at high levels with several rounds of price hikes achieved amid the rising pulp costs. For packaging boards with recycled grades, after a downward adjustments in March 2017, following the ban of import of recovered paper and suspension of import recovered paper quota as well as a serious environment-related scrutiny on plants, fibre costs soared up and supply dropped. This in turn boosted the price run for paper products of packaging grades. At the same time, banks in the Mainland were not easing liquidity for customers for their working capital uses. There were concerns about whether customers were able to withstand the soaring paper prices in their operation while they were facing the environmental scrutiny from the authority.

Overview of Operations

Financial Performance

Amid the surge of paper prices the Group took measures to mitigate the exposure to the price volatility of paper products by keeping less stock in the inventory and carrying out more indent sales while closely monitoring the working situation of customers. Those measures implemented for the period have taken effect and been reflected in the Group's performance for the period. With the rise in selling price, the Group reported a 17.0% growth in overall turnover to HK\$2,932,492,000 while there was a 5.7% decrease in sales volume to 540,719 metric tonnes. Gross profit increased from previous period's by 12.8% to HK\$286,459,000 with a 3.7% decrease in gross profit margin from 10.1% to 9.8%. Profit for the period rose significantly from previous period's by 24.2% to HK\$38,722,000. Profit attributable to the owners of the Company rose by 21.7% from the previous period's HK\$27,705,000 to HK\$33,714,000 with a basic earnings per share of HK2.7 cents. As Renminbi currency appreciated during the period, a currency translation gain of HK\$125,211,000 recorded as other comprehensive income, mainly arising from the translation of the PRC subsidiaries' financial statements into the Group's reporting currency on consolidation.

The Group intends to keep an appropriate level of cash reserve to enhance its working capital position with a view to seek future investment opportunities. As at 30 September 2017, the Group had cash and bank balance (including restricted bank deposit) of HK\$537,047,000 with a gearing ratio at a level of 43.2% compared to 46.6% last corresponding period which was attributable to appropriate measures taken in sales and procurement strategies. This enables the Group to maintain interest costs at HK\$39,296,000. The stringent credit policy and procedures, close follow-ups with customers on liquidity and settlement situation have enabled the Group's debtor turnover day to be shortened by 8 days. As a result, the provision for impairment loss of receivables was able to be kept at a low level of HK\$6,137,000, representing 0.2% of the Group's total revenue while the write back of the provision is HK\$1,616,000.

Paper Business

Against the background of rising selling price, with the Group's extensive sales network and strong procurement capability among suppliers, the Group achieved a significant growth of 18.7% in turnover from HK\$2,412,773,000 to HK\$2,863,568,000. In volume term, the sales tonnage decreased by 5.7% resulting from the adoption of sales and procurement strategies to lower the risk of volatility of paper prices. Operating profit was HK\$90,090,000, a rise of 6.8% compared with last corresponding period.

For paper trading business, the Group reported a strong rise of 22.1% in turnover of HK\$2,269,923,000 and a 2.4% increase in sales tonnage resulting from the upsurge of paper prices. Turnover from paper trading business in the PRC market rose significantly by 19.8% to HK\$1,609,254,000 with a decrease of 5.8% in volume ascribing to putting more focus on the sustainability of customers against the price spiral of paper products. At the same time, Hong Kong market achieved a turnover of HK\$427,876,000, grew significantly by 28.6% compared to the corresponding last period. As for other Asian countries, the Group has put efforts and resources on expansion of the business in the region and secured supports from mills to allocate tonnages. The business's turnover rose significantly by 27.2% in sales to HK\$232,793,000 as compared to the corresponding last period with a 36.5% growth in sales tonnage.

For paper manufacturing business, facing the volatility of raw materials costs prevailing in the market, the Group adopted its sales strategy focusing on profitability instead of sales tonnage to mitigate the exposure to the price run of recovered paper. The segment's turnover increased by 5.3%, including inter-segment revenue, to HK\$600,446,000 with a 23.0% drop in the sales tonnage. Operating profit increased by 16.5% to HK\$43,555,000 with its operating profit margin at 7.6%.

Property Development and Investment

Property Development

For the Nantong business park project, the project entity has obtained the interim qualification certificate for real estate development enterprise in the PRC granting it permission to develop the subject land. Deposits of RMB2,000,000 have been received from two potential purchasers for two blocks of properties with an estimated sale price of RMB26,800,000 in total on the phase one site covering a total gross floor area of 6,530 sq.m.. The blocks of properties are under construction and, subject to the granting of relevant permits by the relevant PRC governmental authority, are expected to be completed and transferred to the potential purchasers within this financial year. As at 30 September 2017, the costs of properties under development amounted to HK\$106,980,000.

Property Investment

For the period, the rental income from investment properties with a value of HK\$551,300,000 was the same as the last period at HK\$10,179,000. This provides a continual steady income and cash inflow to the Group, serves as a solid contributor to the Group's operating income and enhances the financial position of the Group.

During the period under review, construction work has commenced for the Xiamen project and foundation work has been completed as at 30 September 2017. The marketing team is discussing with a number of potential tenants to lease out part of the property for factory and warehousing operation.

Other Businesses

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

The aeronautic parts and services business and marine services business recorded turnover of HK\$8,387,000 and HK\$22,037,000 respectively during the period.

With the strategy of concentrating on the wholesale business after franchising out the retail stores in November 2016, a series of profit- and market-oriented procurement strategies have been implemented to improve profit margin and enhance product mix. Talented sales team are in place to expand the diversified customer base. Supply chain infrastructure has been equipped to enable higher service standard. Customer base has been exploring from single channel to variety of sales channels for the period. The segment's revenue decreased by 27.8% from HK\$37,966,000 to HK\$27,414,000. With the change of business strategy, the segment achieved an operating profit of HK\$446,000 compared to the operating loss of HK\$9,620,000 in the previous period.

Prospects

China's manufacturing activity in October 2017 continued to grow with the purchasing managers' index recorded at 51.6. With an aim to provide more liquidity support to small and medium sized enterprises, the People Bank of China announced a targeted easing of bank's reserve requirement ratio starting from 2018. This expects to improve credit efficiency in the economy and rebalance growth.

Price for printing paper grades keeps in a continual uptrend in October 2017 amid climbing pulp costs while price for recycled board grades softened as demand eased off. Following the stringent environmental policy adopted by the authorities, paper price is expected to sustain at higher level once demand picks up. At the backdrop of steady economic growth in the domestic market in China, the Group continues to take appropriate and flexible approaches on sales and procurement to pursue profitability while mitigating the risk exposure on customers and stocks. For manufacturing segment, the Group put in more resources in upgrading the production facilities and power plant to attain cost savings in the production processes. For expanding oversea sales to countries other than Hong Kong and mainland China, the Group shall secure more tonnage allocations from our channels of suppliers. At the same time the Group continues to uphold and strengthen those measures taken since previous period in streamlining and centralizing internal processes to achieve effectiveness and efficiency.

For the property development and investment segment, the Group have placed considerable resources and emphasis on running the existing projects while seeking new opportunities on any new potential projects in order to further expand the business. For the Nantong business park project, the Group's design and marketing team is discussing with a number of interested customers for the blocks of properties to be built. A further deposit of RMB3,060,000 has been received from a potential purchaser after the period end. It is expected that the Nantong project will generate a steady stream of revenue and cash inflow arising from the sales properties and service income in the coming year. The Group's property development team will carry on the construction works to build an office with warehouse on the land in Xiamen which is expected to be completed by the financial year end.

For the FMCG business segment, with innovative strategic sourcing activities, supported by the new procurement strategy, the Group will continue to sourcing directly from overseas to ensure better margin and secure more suppliers with wide variety of products so as to improve the operating result of the segment.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK0.4 cent (2016: HK0.4 cent) per share for the six months ended 30 September 2017. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on 22 December 2017. The interim dividend will be paid around 10 January 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 December 2017 to 22 December 2017 (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 19 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed 1,727 staff members, 154 of whom are based in Hong Kong and 1,295 are based in the PRC and 278 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 2017, short term deposits plus bank balances amounted to HK\$537 million (including restricted bank deposits of HK\$83 million) and bank borrowings amounted to HK\$2,068 million.

As at 30 September 2017, the Group's gearing ratio was 43.2% (31 March 2017: 44.1%), calculated as net debt divided by total capital. Net debt of HK\$1,531 million is calculated as total borrowings of HK\$2,068 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\$537 million. Total capital is calculated as total equity of HK\$2,016 million plus net debt. The current ratio (current assets divided by current liabilities) was 1.31 times (31 March 2017: 1.16 times).

With bank balances and other current assets of approximately HK\$3,500 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 2017, bank borrowings in Renminbi amounted to HK\$66 million (31 March 2017: HK\$86 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 2017, 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 2017, 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 2017, 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 2017, 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 2017.

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 2017 amounted to HK\$2,062,783,000 (31 March 2017: HK\$2,070,360,000).

CHARGE OF ASSETS

As at 30 September 2017, trust receipt loans of HK\$104,711,000 (31 March 2017: HK\$121,971,000) and bank loans of HK\$46,241,000 (31 March 2017: HK\$34,595,000) 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 2017 before it was tabled for the Board’s approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2017, 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 2017 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 2017