



CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)
Stock code : 1196

Interim Report
2013-14



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lui Shing Ming, Brian (*Chairman*)

Lui Shing Cheong (*Managing Director*)

Lui Shing Chung, Victor

Independent Non-executive Directors

Lam Chun Kong

Lo Wing Man

Ng Lai Man, Carmen

COMPANY SECRETARY

Tsang Chin Pang

SOLICITORS

Michael Li & Co.

Chiu & Partners

INDEPENDENT AUDITOR

BDO Limited

Certified Public Accountants

25th Floor Wing On Centre

111 Connaught Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4th Floor, Mai Sik Industrial Building

1-11 Kwai Ting Road

Kwai Chung, New Territories

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited

The Bank of East Asia, Limited

Industrial and Commercial Bank of China

(Asia) Limited

AUDIT COMMITTEE

Ng Lai Man, Carmen (*Chairman*)

Lam Chun Kong

Lo Wing Man

REMUNERATION COMMITTEE

Lo Wing Man (*Chairman*)

Lam Chun Kong

Ng Lai Man, Carmen

Lui Shing Ming, Brian

STOCK CODE

1196

COMPANY WEBSITE

<http://www.cheongming.com>

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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Hong Kong

To the Board of Directors of Cheong Ming Investments Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the unaudited condensed consolidated interim financial information set out on pages 6 to 25, which comprises the condensed consolidated statement of financial position of Cheong Ming Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Financial Reporting Standards.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraphs, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in note 14 to the interim financial information, the Group had classified the 25% equity interest (the "Interest") in and the loan (the "Loan") to an associate, Suntap Enterprises Ltd., as a disposal group (the "Disposal Group") held for sale in the consolidated statement of financial position as at 31 March 2012 and thereafter because the vendor of the Interest, Fullpower Investment Holdings Corp. ("Fullpower"), exercised the repurchase option stated in the acquisition agreement to repurchase the Interest together with the Loan at a total consideration of HK\$65 million on 30 March 2012 (the "Repurchase"). The carrying amounts before impairment loss of the Interest and the Loan were approximately HK\$56.4 million and approximately HK\$24.6 million, respectively. An impairment loss of approximately HK\$16 million was recognised in the consolidated income statement for the year ended 31 March 2012 resulting in a net aggregate carrying amount of the Disposal Group of HK\$65 million as at 31 March 2012.

In accordance with Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5"), the Interest of the Disposal Group classified as held for sale should be recognised at the lower of its carrying amount and its fair value less costs to sell whereas the Loan of the Disposal Group classified as held for sale should be measured at its amortised cost less impairment following the measurement requirements of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39").

The carrying amount of the Disposal Group as at 31 March 2013 was brought forward from the Company's consolidated financial statements for the year ended 31 March 2012 and was determined based on the agreed repurchase consideration of HK\$65 million. The repurchase consideration was negotiated as part of the original acquisition agreement dated 26 March 2011. It equals the cash portion of the consideration paid by the Group to Fullpower in exchange for the Interest and the Loan advanced by the Group to the associate after the acquisition but excludes the value of the share portion of the consideration for the acquisition. The completion of the Repurchase (including the settlement of the repurchase consideration) was outstanding as at 31 March 2013.

Fullpower informed the Company that the operations of the associate remained at an early stage of exploration as at 31 March 2013 which was essentially similar to that as at 31 March 2012. The Repurchase was completed on 26 April 2013. The total consideration of HK\$65 million has been settled as to (i) the payment of HK\$25 million in cash by Fullpower and (ii) the remaining balance of the consideration of HK\$40 million was funded by way of a loan to Fullpower by the Group. As such, the directors of the Company considered that the repurchase consideration of HK\$65 million closely approximates the fair value of the Disposal Group as at 31 March 2013 and 26 April 2013 and the costs to complete the sale were immaterial. Therefore, the Company concluded that no adjustment to the carrying amount of the Disposal Group was necessary as at 31 March 2013 and 26 April 2013 and the Company recognised the completion of the Repurchase at no gain or loss during the six months ended 30 September 2013.

Basis for Qualified Conclusion (Continued)

However, we were unable to verify the management's assessment that the repurchase consideration of HK\$65 million closely approximates the fair value of the Disposal Group as at 31 March 2013 and 26 April 2013. The repurchase consideration was predetermined more than two years ago from 31 March 2013 and 26 April 2013. It might not be representative of the fair value of the Disposal Group as at 31 March 2013 and 26 April 2013. There was no alternative evidence available to determine the fair value of the Disposal Group as the operations of the associate were at an early stage of exploration.

Accordingly, we were unable to determine whether the gain or loss arising from the completion of the Repurchase on 26 April 2013 (being the difference between the repurchase consideration and the carrying amount of the Disposal Group as at 26 April 2013), if any, was free from material misstatement. Any adjustment found to be necessary would have an impact on the Group's profit for the six months ended 30 September 2013, and would have consequential effect on the related disclosures thereof in the interim financial information for the six months ended 30 September 2013.

Qualified Conclusion

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Tsui Ka Che, Norman

Practising certificate number P05057

Hong Kong, 22 November 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2013

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	300,007	243,701
Cost of sales		(217,914)	(180,984)
Gross profit		82,093	62,717
Other operating income	6	8,352	8,177
Selling and distribution costs		(7,037)	(6,190)
Administrative expenses		(60,115)	(48,597)
Other operating expenses		(1,999)	(1,433)
Profit from operations	5	21,294	14,674
Finance costs	7	(344)	(335)
Profit before income tax		20,950	14,339
Income tax expense	8	(3,277)	(2,863)
Profit for the period		17,673	11,476
Attributable to:			
Equity holders of the Company		17,673	11,476
Earnings per share for profit attributable to the equity holders of the Company during the period	10		
Basic		HK2.78 cents	HK1.80 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*for the six months ended 30 September 2013*

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit for the period	17,673	11,476
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of financial statements of foreign operations	299	46
Other comprehensive income for the period, net of tax	299	46
Total comprehensive income for the period	17,972	11,522
Total comprehensive income attributable to equity holders of the Company	17,972	11,522

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2013

	Notes	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		181,956	180,674
Prepaid lease payments		2,685	2,727
Investment properties		115,327	104,260
Deposit paid for acquisition of an investment property		–	11,098
Other asset		1,100	1,100
Deferred tax assets		318	251
		301,386	300,110
Current assets			
Inventories		28,504	32,149
Trade receivables	11	151,610	80,771
Prepayments, deposits and other receivables	12	51,094	10,518
Financial assets at fair value through profit or loss	13	87,196	86,107
Cash and cash equivalents		112,853	103,261
Tax recoverable		138	1,192
		431,395	313,998
Non-current assets held for sale	14	–	65,000
		431,395	378,998
Current liabilities			
Trade payables	15	72,374	48,020
Accrued liabilities and other payables		48,382	36,297
Financial liabilities at fair value through profit or loss	13	604	550
Interest-bearing borrowings		34,485	24,504
Tax payable		9,098	7,678
		164,943	117,049
Net current assets		266,452	261,949
Total assets less current liabilities		567,838	562,059
Non-current liabilities			
Deferred tax liabilities		39,882	39,368
Net assets		527,956	522,691
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	63,535	63,535
Reserves		464,421	446,449
Proposed dividends	9	–	12,707
Total equity		527,956	522,691

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*for the six months ended 30 September 2013*

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflows/(outflows) from:		
Operating activities	(5,160)	(10,071)
Investing activities	13,372	(7,909)
Financing activities	(3,461)	(17,608)
Increase/(Decrease) in cash and cash equivalents	4,751	(35,588)
Cash and cash equivalents at beginning of period	102,506	124,005
Effect of foreign exchange rate changes	299	46
Cash and cash equivalents at end of period	107,556	88,463
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks and securities brokerage firms	82,793	52,624
Time deposits	30,060	40,285
Cash and cash equivalents per condensed consolidated statement of financial position	112,853	92,909
Less: Time deposits with original maturity of more than three months	(4,560)	(4,446)
Bank overdrafts	(737)	-
Cash and cash equivalents per condensed consolidated statement of cash flows	107,556	88,463

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2013

	Equity attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Total equity HK\$'000
At 1 April 2012	63,535	107,590	34,080	84,063	9,900	(245)	188,773	12,707	500,403
Final 2012 dividend paid	-	-	-	-	-	-	-	(12,707)	(12,707)
Transactions with owners	-	-	-	-	-	-	-	(12,707)	(12,707)
Profit for the period	-	-	-	-	-	-	11,476	-	11,476
Other comprehensive income:									
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	46	-	-	46
Total comprehensive income for the period	-	-	-	-	-	46	11,476	-	11,522
At 30 September 2012 (Unaudited)	63,535	107,590	34,080	84,063	9,900	(199)	200,249	-	499,218
At 1 April 2013	63,535	107,590	34,080	100,753	9,900	247	193,879	12,707	522,691
Final 2013 dividend paid	-	-	-	-	-	-	-	(12,707)	(12,707)
Transactions with owners	-	-	-	-	-	-	-	(12,707)	(12,707)
Profit for the period	-	-	-	-	-	-	17,673	-	17,673
Other comprehensive income:									
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	299	-	-	299
Total comprehensive income for the period	-	-	-	-	-	299	17,673	-	17,972
At 30 September 2013 (Unaudited)	63,535	107,590	34,080	100,753	9,900	546	211,552	-	527,956

NOTES TO THE INTERIM FINANCIAL INFORMATION

for the six months ended 30 September 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of Cheong Ming Investments Limited (the "Company") and its subsidiaries (together referred to as the "Group") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2013, except for the adoption of the new standards and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA, as disclosed in note 2 to this interim financial information.

This interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

The interim financial information for the six months ended 30 September 2013 was approved by the board of directors on 22 November 2013.

2. IMPACT OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied, for the first time, the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on or after 1 April 2013.

HKFRSs (Amendments)	Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

Other than as noted below, the adoption of the new or amended HKFRSs had no material impact on the Group's financial statements.

2. IMPACT OF NEW OR AMENDED HKFRSs (Continued)**Annual Improvements to HKFRSs 2009 – 2011 Cycle***HKAS 34 Interim Financial Reporting*

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities in note 4.

Amendments to HKAS 1 (Revised) – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

These amendments require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that may not. The new presentation of other comprehensive income has been adopted retrospectively.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 “Consolidated and Separate Financial Statements” relating to the presentation of consolidated financial statements and HK(SIC) Int 12 “Consolidation – Special Purpose Entities”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interest in subsidiaries and associates. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the interim financial information as a result of adopting HKFRS 12.

HKFRS 13 – Fair Value Measurement

HKFRS 13 replaces previous guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial information. The Group has provided those disclosures in note 21.

3. REVENUE

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered arising from the principal activities of the Group during the period after eliminations of all significant intra-group transactions.

4. SEGMENT INFORMATION

The Group identifies its operating segments and prepares segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major business lines. The Group has identified the following reportable segments:

- (a) the manufacture and sale of paper cartons, packaging boxes and children's novelty books segment produces paper cartons, packaging boxes and children's novelty books for sale principally to manufacturers and publishers of consumer products;
- (b) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags segment produces hangtags, labels, shirt paper boards and plastic bags products for sale principally to manufacturers of consumer products;
- (c) the commercial printing segment provides financial printing, digital printing and other related services; and
- (d) the food and beverage segment engages in the operations of restaurants.

Each of these operating segments is managed separately as each of the business lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The executive directors assess segment reporting as those used in its HKFRSs financial statements, except that certain items are not included in arriving at the operating results of the operating segments (expenses relating to finance costs, income tax and corporate income and expenses).

Segment assets include all assets with the exception of corporate assets, including investment properties, deposit paid for acquisition of investment properties, other asset, financial assets at fair value through profit or loss, bank balances and cash, tax recoverable, deferred tax assets and non-current assets held for sale which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities excluded corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. Segment liabilities comprise trade payables, accrued liabilities and other payables.

4. SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable operating segments as provided to the Group's executive directors is set out below:

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Food and beverage		Eliminations		Consolidated	
	For the six months ended 30 September 2013		For the six months ended 30 September 2012		For the six months ended 30 September 2013		For the six months ended 30 September 2012		For the six months ended 30 September 2013		For the six months ended 30 September 2012	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Reportable segment revenue:												
Sales to external customers	247,536	195,098	8,585	14,952	39,939	33,651	3,947	-	-	-	300,007	243,701
Intersegment sales	1,507	3,017	464	18	174	219	-	-	(2,145)	(3,254)	-	-
Total	249,043	198,115	9,049	14,970	40,113	33,870	3,947	-	(2,145)	(3,254)	300,007	243,701
Reportable segment results	13,996	6,783	211	1,457	4,972	2,171	(1,909)	-	-	-	17,270	10,411
Unallocated income/(expenses):												
Interest income											3,448	1,753
Dividend income from financial assets at fair value through profit or loss											367	427
Rental income											2,197	1,784
Fair value (loss)/gain on financial assets at fair value through profit or loss											(1,081)	914
(Loss)/Gain on disposal of financial assets at fair value through profit or loss											(894)	1,190
Impairment loss on amount due from a former associate											-	(474)
Others											(13)	(1,331)
Profit from operations											21,294	14,674
Finance costs											(344)	(335)
Profit before income tax											20,950	14,339
Income tax expense											(3,277)	(2,863)
Profit for the period											17,673	11,476

4. SEGMENT INFORMATION (Continued)

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Commercial printing		Food and beverage		Consolidated	
	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Reportable segment assets	350,372	282,317	4,479	3,628	15,225	18,547	5,318	-	375,394	304,492
Unallocated assets:										
Investment properties									115,327	104,260
Deposit paid for acquisition of an investment property									-	11,098
Other asset									1,100	1,100
Non-current assets held for sale									-	65,000
Other receivable									40,000	-
Financial assets at fair value through profit or loss									87,196	86,107
Cash and cash equivalents									112,853	103,261
Others									911	3,790
Total assets									<u>732,781</u>	<u>679,108</u>
Reportable segment liabilities	98,984	68,933	3,292	3,051	16,821	13,383	1,659	-	120,756	85,367
Unallocated liabilities:										
Interest-bearing borrowings									34,485	24,504
Financial liabilities at fair value through profit or loss									604	550
Deferred tax liabilities									39,882	39,368
Others									9,098	6,628
Total liabilities									<u>204,825</u>	<u>156,417</u>

5. PROFIT FROM OPERATIONS

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from operations is arrived at after charging/(crediting):		
Amortisation of prepaid lease payments	42	42
Depreciation of property, plant and equipment	7,074	7,192
Gain on disposal of property, plant and equipment	(164)	(927)
Staff costs (including directors' emoluments)	71,501	55,051
(Reversal of provision)/Provision for slow moving inventories	(1,435)	896
Reversal of allowance for impairment of trade receivables	–	(56)
Fair value loss/(gain) on financial assets at fair value through profit or loss	1,081	(914)
Loss/(Gain) on disposal of financial assets at fair value through profit or loss	894	(1,190)
Impairment loss on amount due from a former associate	–	474
Exchange loss, net	288	167

6. OTHER OPERATING INCOME

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	3,448	1,753
Dividend income from financial assets at fair value through profit or loss	367	427
Fair value gain on financial assets at fair value through profit or loss	–	914
Gain on disposal of property, plant and equipment	164	927
Gain on disposal of financial assets at fair value through profit or loss	–	1,190
Rental income	2,197	1,784
Reversal of provision for slow moving inventories	1,435	–
Others	741	1,182
	8,352	8,177

7. FINANCE COSTS

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on overdrafts, bank and other borrowings repayable within five years	344	335

8. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The tax charge comprises:		
Current tax – Hong Kong	2,166	944
Current tax – overseas	591	2,042
	2,757	2,986
Deferred tax expense/(credit)	520	(123)
	3,277	2,863

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the six months ended 30 September 2013. Taxes on overseas profits have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the group entities operate.

9. DIVIDENDS**(a) Dividends attributable to the period**

The directors do not recommend the payment of interim dividend for the period (2012: Nil).

(b) Dividends attributable to the previous financial year, approved and paid during the period

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend of HK2 cents (2012: HK2 cents) per ordinary share for financial year 2013 paid during the period	12,707	12,707

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to equity holders of the Company for the period ended 30 September 2013 of approximately HK\$17,673,000 (2012: HK\$11,476,000) of weighted average 635,353,119 (2012: 635,353,119) of ordinary shares in issue.

There are no dilutive potential shares in both periods of 2013 and 2012.

11. TRADE RECEIVABLES

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Trade receivables	152,607	81,879
Less: Allowances for impairment of receivables	(997)	(1,108)
Trade receivables – net	151,610	80,771

Trade receivables generally have credit terms of 30 to 120 days (31 March 2013: 30 to 120 days)

At 30 September 2013, the aging analysis of the trade receivables based on invoiced date and net of allowance, is as follows:

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Current to 30 days	50,850	42,975
31 to 60 days	44,083	17,059
61 to 90 days	38,067	11,982
Over 90 days	18,610	8,755
	151,610	80,771

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 September 2013, prepayments, deposits and other receivables included a loan of HK\$40,000,000 (the "Loan Receivable") to Fullpower as a result of the Repurchase as stated in note 14.

The Loan Receivable is interest bearing at the rate of 10% per annum and repayable on 31 December 2013, with personal guarantee given by Mr. Wong and secured by 16,667 shares of Fullpower held by Mr. Wong, representing approximately 33.33% of the entire issued share capital in Fullpower held by Mr. Wong, and 28,600,000 shares of the Company held by Fullpower.

13. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Financial assets		
Hong Kong listed equity investments	2,324	2,610
Hong Kong unlisted debt investments	55,927	46,142
Hong Kong unlisted currency notes	55	61
Hong Kong unlisted equity linked notes	–	1,957
Hong Kong unlisted commodity linked notes	1,206	1,458
Overseas listed equity investments	1,777	1,693
Overseas unlisted funds investments	17,997	18,932
Overseas unlisted debt investments	7,910	13,254
	87,196	86,107
Financial liabilities		
Hong Kong unlisted currency notes	(604)	(550)

14. NON-CURRENT ASSETS HELD FOR SALE

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
At end of period/year	–	65,000

Non-current assets are classified as assets held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Impairment losses on non-current assets held for sale are recognised in the profit or loss.

14. NON-CURRENT ASSETS HELD FOR SALE (Continued)

On 26 March 2011, the Group entered into an acquisition agreement (the "Acquisition Agreement") with Fullpower Investment Holdings Corp. ("Fullpower") to conditionally acquire 25% equity interest in Suntap Enterprises Ltd. ("Suntap"), which indirectly holds two coalbed methane gas projects in the PRC, at a consideration comprising HK\$41,000,000 in cash and the issuance of 28,600,000 new shares to Fullpower by the Company. Details of the acquisition are laid out in the announcement made by the Company on 28 March 2011. As part and parcel of the acquisition of the interest in Suntap, the Group had advanced a loan of RMB20,000,000 (the "Loan") to Suntap after the acquisition.

According to the Acquisition Agreement, a repurchase option was granted to Fullpower pursuant to which Fullpower has the right to repurchase the 25% equity interest in Suntap sold to the Group, together with the Loan, at a total consideration of HK\$65,000,000 in cash, in certain circumstances, including but not limited to, the Company demanding for the repayment of the Loan from Suntap. On 30 March 2012, Fullpower exercised the right stated in the Acquisition Agreement to repurchase the interest in Suntap, together with the Loan, at a total consideration of HK\$65,000,000 (the "Repurchase"). The Repurchase had not been completed as at 31 March 2012 and the carrying amount of the interest in this associate of HK\$56,413,000 and the Loan of HK\$24,630,000 were classified as a disposal group held for sale. Accordingly, an impairment loss of HK\$16,043,000 was charged to the profit or loss during the year ended 31 March 2012. Details of the Repurchase are laid out in the annual report of the Company for the year ended 31 March 2013.

The Repurchase was completed on 26 April 2013 with settlement by HK\$25,000,000 in cash and HK\$40,000,000 in a loan granted to Fullpower. In conjunction with the completion of the Repurchase of the 25% equity interest in and the Loan to Suntap, the Group, Fullpower and a shareholder of Fullpower, Mr. Wong Sin Hua ("Mr. Wong") entered into the loan agreement of HK\$40,000,000 (i.e. the Loan Receivable in note 12) with interest bearing at the rate of 10% per annum to facilitate the completion of the Repurchase. The Loan Receivable is repayable on 31 December 2013, with personal guarantee given by Mr. Wong and secured by 16,667 shares of Fullpower held by Mr. Wong, representing approximately 33.33% of the entire issued share capital in Fullpower held by Mr. Wong, and 28,600,000 shares of the Company held by Fullpower. The Company received the cash consideration of HK\$25,000,000 which is equivalent to RMB20,060,000 on 26 April 2013. Details of completion of the Repurchase are laid out in the announcement made by the Company on 28 April 2013.

15. TRADE PAYABLES

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Trade payables	72,374	48,020

At 30 September 2013, the aging analysis of the trade payables based on invoiced date, is as follows:

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Current to 30 days	23,713	24,796
31 to 60 days	17,026	7,493
61 to 90 days	18,652	7,678
Over 90 days	12,983	8,053
	72,374	48,020

16. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 March and 30 September 2013	800,000,000	80,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 March and 30 September 2013	635,353,119	63,535

17. BANKING FACILITIES

At 30 September 2013, general banking facilities available to the Group amounted to HK\$460,040,000 (31 March 2013: HK\$306,275,000). The amount of banking facilities utilised by the Group amounted to HK\$39,385,000 as at 30 September 2013 (31 March 2013: HK\$28,229,000).

At 30 September 2013, certain of the Group's leasehold land and buildings and investment properties amounting to HK\$34,370,000 and HK\$27,400,000 respectively (31 March 2013: HK\$34,370,000 and HK\$18,700,000 respectively) were pledged to secure general banking facilities granted to the Group.

18. OPERATING LEASE COMMITMENTS

	As at 30 September 2013		As at 31 March 2013	
	Land and buildings	Other assets	Land and buildings	Other assets
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000
Within one year	11,905	515	9,026	515
In the second to fifth year, inclusive	10,823	1,147	9,916	1,404
After five years	14,725	–	10,799	–
	37,453	1,662	29,741	1,919

19. CAPITAL COMMITMENTS

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Contracted for but not provided:		
Acquisition of property, plant and equipment	1,464	–

20. RELATED PARTY TRANSACTIONS AND BALANCES

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Related party transactions		
(a) Compensation of the directors of the Company:		
Salaries and allowances	3,311	3,124
Pension scheme contribution	251	235
	3,562	3,359
(b) Compensation of a director's spouse:		
Salaries and allowances	360	228
Pension scheme contribution	12	10
	372	238
(c) As at 30 September 2013, Mr. Lui Shing Ming, Brian, a director of the Company, held approximately 28% of the entire issued share capital in a company which supplied food ingredient to an indirect wholly owned subsidiary of the Company. The transactions are carried at arm-length with the terms mutually agreed between the relevant parties.		
Purchases from a related party	1,190	–

Related party balances

As at 30 September 2013, the net amount due from a related party for provision of food ingredient was HK\$36,000 (31 March 2013: Nil). The balances included in other receivables and trade payables amounted to HK\$300,000 and HK\$264,000 respectively which were unsecured, interest-free and repayable on demand.

21. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

(a) Set out below is an overview of the carrying amount and fair value of financial assets and liabilities held by the Group:

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Financial assets		
Financial assets at fair value through profit or loss	87,196	86,107
Loans and receivables:		
– Trade receivables	151,610	80,771
– Deposits and other receivables	47,668	5,817
Cash and cash equivalents	112,853	103,261
	399,327	275,956

21. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

(a) Set out below is an overview of the carrying amount and fair value of financial assets and liabilities held by the Group: (Continued)

	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Financial liabilities		
Financial liabilities at fair value through profit or loss	604	550
Financial liabilities measured at amortised cost:		
– Trade payables	72,374	48,020
– Accrued liabilities and other payables	35,263	28,109
– Interest-bearing borrowings	34,485	24,504
	142,726	101,183

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair value as at 31 March 2013 and 30 September 2013.

(b) Fair value measurement recognised in the condensed consolidated statement of financial position

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

21. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)**(b) Fair value measurement recognised in the condensed consolidated statement of financial position (Continued)**

The financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1		Level 2		Level 3		Total	
	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000	As at 30 September 2013 (Unaudited) HK\$'000	As at 31 March 2013 (Audited) HK\$'000
Assets								
Listed securities held								
for trading	4,101	4,303	-	-	-	-	4,101	4,303
Unlisted securities held								
for trading	81,889	78,389	1,206	3,415	-	-	83,095	81,804
Liabilities								
Unlisted securities held								
for trading	(604)	(550)	-	-	-	-	(604)	(550)
Total fair values	85,386	82,142	1,206	3,415	-	-	86,592	85,557

The fair values of the listed investments are determined based on the quoted bid prices on regulated exchange markets. The fair values of the unlisted debt investments and unlisted fund investments are determined by reference to the quoted bid prices from active markets with actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

In respect of other unlisted currency notes and unlisted linked notes, fair values are determined by using valuation techniques such as Monte Carlo Simulation or Binomial Option Pricing Models. These valuation techniques maximise the use of observable market data where it is available for all significant inputs and rely as little as possible on entity specific estimates. These instruments are included in Level 2.

There have been no transfers between level 1 and 2 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Operation

The principal activities of the Group continue to be manufacture and sale of paper cartons, packaging boxes and children's novelty books, manufacture and sale of hangtags, labels, shirt paper boards and plastic bags, commercial printing and asset management businesses. During the period, the Group is also engaged in operations of restaurants in Hong Kong.

For the period under review, the Group recorded a turnover of approximately HK\$300.0 million for the six months ended 30 September 2013, representing an increase of 23.1% compared with the turnover of approximately HK\$243.7 million recorded in the corresponding period ended 30 September 2012. Gross profit margin of the Group was increased to 27.4% for the period under review from that of corresponding period of 2012 of 25.7%. The Group's profit attributable to equity holders was increased by 54.0% from that of last corresponding period of approximately HK\$11.5 million, to approximately HK\$17.7 million. The increase in net profit attributable to equity holders was mainly due to the recovery of export market in the packaging industry which contributed to the increase in orders of packaging boxes.

The business segment of manufacture and sale of paper cartons, packaging boxes and children's novelty books continued to be the Group's major business. For the period under review, the Group recorded total revenue of approximately HK\$247.5 million from this major business segment, which was increased by about 26.9% compared to that of last corresponding period of approximately HK\$195.1 million. The profit from this segment also increased from last corresponding period of approximately HK\$6.8 million to approximately HK\$14.0 million for the six months ended 30 September 2013. Such increase in profit was mainly attributable to increase in orders from customers caused by the recovery in the export market.

The business segment of manufacture and sale of hangtags, labels, shirt paper boards and plastic bags, on the contrary, faced pressure of intensive competition during the period. The revenue from this business segment significantly decreased to approximately HK\$8.6 million for the period under review from that of the last corresponding year of approximately HK\$15.0 million. The decrease in revenue was mainly due to the weakening export market in textile industry which led to significant decrease in orders of hangtags and labels from our customers. With stringent cost management, the Group maintained a profit from this business segment of HK\$0.2 million for the six months ended 30 September 2013 as compared to the last corresponding period of approximately HK\$1.5 million.

The business segment of commercial printing recorded a growth in revenue of 18.4% as a result of recovery of financial markets during the period. The revenue generated in this business segment increased from HK\$33.7 million to HK\$39.9 million while the profit from this business segment increased from HK\$2.2 million to HK\$5.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (Continued)

Business Operation (Continued)

The business segment of food and beverage is a new business established by the Group during the period. As of 30 September 2013, the Group has operated in catering of four restaurants in Hong Kong. The total capital investment of the four restaurants was approximately HK\$3.5 million and was financed by internal funding of the Group. During the period, the food and beverage segment recorded revenue of HK\$3.9 million and a loss of HK\$1.9 million. The loss was mainly attributable to pre-operating expenses incurred for business development at early stage.

For the period under review, the Group recorded a mark-to-market loss on the Group's financial assets amounted to approximately HK\$1.1 million while a mark-to-market gain from the Group's financial assets of approximately HK\$0.9 million was recorded in last corresponding period.

Fair value of non-current assets held for sale

For the consolidated financial statements of the Company for the period ended 30 September 2013, the independent auditor of the Company has issued a qualified conclusion in respect of the carrying amount of the 25% interest in Suntap, together with shareholder's loan (collectively the "Disposal Asset") as at 26 April 2013 and hence the gain or loss arising from the completion of the Repurchase on 26 April 2013. The basis for qualified conclusion (including, among other things, the consequential effect of any adjustments found to be necessary on the carrying amount of the Disposal Asset) and the qualified conclusion arising from limitation of scope is set out in the Report on Review of Interim Financial Information on pages 3 to 5 of this interim report. The said qualified opinion includes basis that the repurchase consideration was predetermined more than two years ago from 31 March 2013 and 26 April 2013. It might not be representative of the fair value of the Disposal Asset as at 31 March 2013 and 26 April 2013. There was no alternative evidence available to determine the fair value of the Disposal Asset as the operations of the associate were at early stage of exploration. Consequently, the independent auditor has expressed that they were unable to determine whether the gain or loss arising from the completion of the Repurchase on 26 April 2013 (being the difference between the Repurchase consideration and the carrying amount of the Disposal Asset as at 26 April 2013), if any, was free from material misstatement.

In this respect, the Company is of the view that the Repurchase has been completed on 26 April 2013 and the total consideration of the Repurchase of HK\$65 million has been settled by a payment of HK\$25 million in cash by Fullpower and remaining balance of HK\$40 million was funded by way of a loan to Fullpower ("Fullpower Loan"). The terms of the Fullpower Loan were arrived after arm's length negotiation between the Company, Fullpower and Mr. Wong and the provision of Fullpower Loan facilitates the completion of Repurchase, such that the Company can immediately receive (after netting off the amount of the Fullpower Loan) HK\$25 million in cash. In view of the above and the fact that the Fullpower Loan is secured by collaterals provided by Fullpower and Mr. Wong, the directors consider that the terms of the Fullpower Loan agreement are fair and reasonable and are in the interests of the Company and the shareholders as a whole. On this basis, the directors consider that the carrying amount of the Disposal Asset, is representative of the fair value of it to the Company as at 31 March 2013 and 26 April 2013, therefore, no gain or loss arising from the completion of the Repurchase on 26 April 2013 should be recognised for the six months ended 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW**Liquidity and financial resources**

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. During the period under review, the Group was financially sound with healthy cash position. The Group's cash and bank balances and short term bank deposits as at 30 September 2013 amounted to approximately HK\$112.9 million (31 March 2013: HK\$103.3 million). The Group's gearing ratio as at 30 September 2013 was 6.5% (31 March 2013: 4.7%), based on the interest bearing bank borrowings of approximately HK\$34.5 million (31 March 2013: HK\$24.5 million) and the total equity of HK\$528.0 million (31 March 2013: HK\$522.7 million).

The Board believes that the Group's cash holding, liquid asset value, future revenue and available facilities will be sufficient to meet its working capital requirement of the Group.

Exchange rate exposure

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. For the six months ended 30 September 2013, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and US dollars were relatively stable under the current peg system, and the Group managed the exchange rate exposures of Renminbi and Hong Kong or US dollars through entering into forward contracts in relation to US dollars and Renminbi which are included in financial assets/liabilities at fair value through profit or loss.

Financial guarantees and charges on assets

As at 30 September 2013, corporate guarantees amounting to approximately HK\$328.3 million (31 March 2013: HK\$174.6 million) were given to banks by the Company for the provision of general banking facilities granted to the Group's subsidiaries, which were secured by legal charges on certain properties owned by the Group of approximately HK\$61.8 million (31 March 2013: HK\$53.1 million).

CONTINGENT LIABILITIES

As at 30 September 2013, the Group had no contingent liabilities.

PROSPECTS

Looking forward, it is expected that the operating environment in the printing and packaging industry will continue to be tough and difficult. Because of the uncertain economic recovery in the United States and the European Union, the overseas demand for our products remains volatile. The intense competition in the printing and packaging industry also limit the Group to pass the inflating cost to customers. Due to seasonality of the printing and packaging industry, the second half of the financial year will be even more challenging. In order to tackle the anticipated challenges and stay competitive, the Group will endeavor to widen its customer bases and continue to implement stringent cost control and management strategies. These includes reducing fixed costs for manufacturing operations, effective management in purchase and inventories level and credit tightening on customers. However, it is foreseen that the consistent increase in costs of labour and raw materials will limit the effect of cost control measures.

For the purpose of sustaining long term growth, the directors will also keep on exploring all potential opportunities to develop its business.

DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September 2013, the interests and short positions of the directors and chief executives 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 "SFO"(Chapter 571 of the Laws of Hong Kong)) 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 and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") and which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO were as follows:

Directors' interests in shares – Long position in the Shares of the Company

Name of Directors	Number of Shares held				Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests	Other interests	Total interests	
Lui Shing Ming, Brian	5,468,750	–	323,481,286 (Note 1)	328,950,036	51.77%
Lui Shing Cheong	3,906,250	–	323,481,286 (Note 1)	327,387,536	51.53%
Lui Shing Chung, Victor	3,906,250	1,562,500 (Note 2)	323,481,286 (Note 1)	328,950,036	51.77%

Notes:

- These shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming, Brian) of The Lui Unit Trust are held by Trident Trust Company (B.V.I.) Limited as trustee of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming, Brian, Lui Shing Chung, Victor and Lui Shing Cheong. Messrs. Lui Shing Ming, Brian, Lui Shing Chung, Victor and Lui Shing Cheong further owns approximately as to 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
- These shares are owned by the spouse of Mr. Lui Shing Chung, Victor. Mr. Lui Shing Chung, Victor is deemed to be interested in all the shares held by his spouse under the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (CONTINUED)

In addition to the above, certain directors have non-beneficial interest in certain subsidiaries held for the benefit of the Company.

Save as disclosed above, as at 30 September 2013, none of the directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Long/ Short position	Capacity	Number of Shares/ underlying Shares held	Percentage of issued capital
Lui Chi	Long	Founder of a discretionary trust	323,481,286 (Note 1)	50.91%
Ng Sze Mui	Long	Founder of a discretionary trust	323,481,286 (Note 1)	50.91%
Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	328,950,036 (Note 2)	51.77%
Harmony Link Corporation	Long	Beneficial owner	323,481,286	50.91%
The Lui Family Company Limited	Long	Trustee	323,481,286 (Note 3)	50.91%
Trident Trust Company (B.V.I.) Limited	Long	Trustee	323,481,286 (Note 3)	50.91%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:

- (1) These shares are held by Harmony Link Corporation. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are founders of the discretionary trust mentioned in Note 1 to the section headed "Directors' and chief executive's interests and short positions in shares, underlying Shares or debentures of the Company or any associated corporations" above.
- (2) Interests in these shares include interests in 1,562,500 shares held by Madam Ng Shuk Fong, Aman personally and interests in 327,387,536 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed in the section headed "Directors' and chief executive's interest and short positions in the shares, underlying shares or debentures of the Company or any associated corporations" above.
- (3) These shares are held by Harmony Link Corporation. Please refer to Note 1 to the section headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations" above.

Save as disclosed above, as at 30 September 2013, the directors are not aware that there is any party (not being a Director) who had any interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

SHARE OPTION SCHEMES

The Group's share option scheme was adopted on 10 August 2012 and is effective for a period of ten years. As at 30 September 2013, no share options had been granted under the scheme.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 20 to the interim financial information, no other directors had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 September 2013.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has compiled the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules for the six months ended 30 September 2013 except for the deviation from Code provision A.4.1 in that the non-executive directors were not appointed for a specific term and Code provision A.5.1 in that no nomination committee has been established. However, as the Bye-laws of the Company stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years and the procedures for shareholders to elect a director has properly published in the Company's website, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 September 2013, the Company has not redeemed any of its listed securities. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2013, the Group had an available workforce of approximately 1,266, of which around 1,100 were based in the PRC.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

The Group has established a Remuneration Committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has reviewed and determined the Group's remuneration policy, including the policy for the remuneration of executive directors, the levels of remuneration paid to executive directors and senior management of the Group.

The Remuneration Committee comprises 4 members, namely Mr. Lo Wing Man, Dr. Lam Chun Kong, Dr. Ng Lai Man, Carmen (all independent non-executive directors) and Mr. Lui Shing Ming, Brian, an executive director of the Company. This Committee is chaired by Mr. Lo Wing Man.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises 3 members, whom are independent non-executive directors, namely Dr. Ng Lai Man, Carmen, Dr. Lam Chun Kong and Mr. Lo Wing Man. This Committee is chaired by Dr. Ng Lai Man, Carmen.

The Audit Committee has reviewed with management about the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2013.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2013 has been reviewed by BDO Limited, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

On behalf of the Board, I would like to express its sincere gratitude to all our staff for their dedication and contribution, as well as to all our customers, suppliers, business associates and shareholders for their continuous support to the Group over the period.

By Order of the Board
Lui Shing Ming, Brian
Chairman

Hong Kong, 22 November 2013