



**KIN YAT HOLDINGS LIMITED**  
**建溢集團有限公司**

website: <http://www.kinyat.com.hk>

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 638)**

# INTERIM REPORT

for the six months ended 30 September 2017

The Board of Directors (the "Board") of Kin Yat Holdings Limited (the "Company") would like to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016. The interim financial results has been reviewed by the Audit Committee of the Company but has not been reviewed by the auditor of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited for the six months ended 30 September</b>	
	<i>Notes</i>	<b>2017 HK\$'000</b>	2016 HK\$'000
<b>REVENUE</b>	<i>3</i>	<b>1,474,683</b>	1,249,863
Costs of sales	<i>5</i>	<u><b>(1,292,618)</b></u>	<u>(1,065,597)</u>
Gross profit		<b>182,065</b>	184,266
Other income and gains, net	<i>3</i>	<b>25,188</b>	9,992
Selling and distribution expenses		<b>(25,505)</b>	(23,234)
Administrative expenses		<b>(81,510)</b>	(77,881)
Finance costs	<i>4</i>	<u><b>(1,519)</b></u>	<u>(37)</u>
<b>PROFIT BEFORE TAX</b>	<i>5</i>	<b>98,719</b>	93,106
Income tax expense	<i>6</i>	<u><b>(16,949)</b></u>	<u>(22,553)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>81,770</b></u>	<u>70,553</u>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>81,838</b>	70,755
Non-controlling interests		<u><b>(68)</b></u>	<u>(202)</u>
		<u><b>81,770</b></u>	<u>70,553</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<i>8</i>		
Basic		<u><b>HK19.07 cents</b></u>	<u>HK16.88 cents</u>
Diluted		<u><b>HK18.93 cents</b></u>	<u>HK16.82 cents</u>

Details of the dividends are disclosed in note 7 to the condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>81,770</b>	70,553
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE):</b>		
<i>Other comprehensive income/(expense) to be reclassified to income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	50,407	356
Release of exchange fluctuation reserve upon disposal of subsidiaries	(14,566)	–
	<b>35,841</b>	356
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>117,611</b>	70,909
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	117,630	71,111
Non-controlling interests	(19)	(202)
	<b>117,611</b>	70,909

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>746,088</b>	681,050
Investment properties		<b>44,324</b>	42,173
Prepaid land lease payments		<b>23,805</b>	23,478
Properties under development	9	<b>52,031</b>	45,089
Goodwill		<b>4,650</b>	4,650
Deferred tax assets		<b>36,004</b>	36,694
Prepayments and deposits	11	<b>149,879</b>	94,705
Total non-current assets		<b>1,056,781</b>	927,839
<b>CURRENT ASSETS</b>			
Properties under development	9	<b>217,379</b>	200,287
Inventories		<b>480,177</b>	328,061
Accounts and bills receivable	10	<b>495,091</b>	336,522
Prepayments and deposits	11	<b>119,196</b>	50,984
Financial assets at fair value through profit or loss		<b>26,749</b>	20,256
Tax recoverable		<b>856</b>	856
Time deposits		<b>6,764</b>	6,430
Cash and bank balances		<b>151,841</b>	282,588
Total current assets		<b>1,498,053</b>	1,225,984
<b>CURRENT LIABILITIES</b>			
Accounts payables, accrued liabilities, other payables and deferred income	12	<b>894,978</b>	632,276
Interest-bearing bank borrowings	13	<b>204,212</b>	274,310
Due to non-controlling shareholders		–	34,570
Tax payable		<b>77,390</b>	70,263
Total current liabilities		<b>1,176,580</b>	1,011,419
<b>NET CURRENT ASSETS</b>		<b>321,473</b>	214,565
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,378,254</b>	1,142,404

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	<i>Notes</i>	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	12	123,085	140,550
Interest-bearing bank borrowings	13	168,500	65,000
Deferred tax liabilities		31,157	30,543
		<hr/>	<hr/>
Total non-current liabilities		322,742	236,093
		<hr/>	<hr/>
<b>NET ASSETS</b>			
		1,055,512	906,311
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		43,036	42,836
Reserves		1,011,581	912,301
		<hr/>	<hr/>
		1,054,617	955,137
		<hr/>	<hr/>
<b>Non-controlling interests</b>		895	(48,826)
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		1,055,512	906,311
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017 (Unaudited)

	Attributable to equity holders of the Company											
	Share capital	Share premium account	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	Reserves				Total reserves	Non-controlling interests	Total equity
						Capital redemption reserve	Contributed surplus	Other reserve	Retained profits			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 April 2017</b>	<b>42,836</b>	<b>139,642</b>	<b>5,506</b>	<b>134,840</b>	<b>12,613</b>	<b>14</b>	<b>6,150</b>	<b>(8,940)</b>	<b>622,476</b>	<b>912,301</b>	<b>(48,826)</b>	<b>906,311</b>
Exchange difference on translation of foreign operations	-	-	-	-	50,358	-	-	-	-	50,358	49	50,407
Release of exchange fluctuation reserve upon disposal of subsidiaries	-	-	-	-	(14,566)	-	-	-	-	(14,566)	-	(14,566)
Profit/(loss) for the period	-	-	-	-	-	-	-	-	81,838	81,838	(68)	81,770
Total comprehensive income/(expenses) for the period	-	-	-	-	35,792	-	-	-	81,838	117,630	(19)	117,611
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	48,732	48,732
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,008	1,008
Issue of shares	200	2,223	-	-	-	-	-	-	-	2,223	-	2,423
Equity settled share option expense	-	-	945	-	-	-	-	-	-	945	-	945
Final 2017 dividend paid (note 7)	-	-	-	-	-	-	-	-	(21,518)	(21,518)	-	(21,518)
<b>At 30 September 2017</b>	<b>43,036</b>	<b>141,865</b>	<b>6,451</b>	<b>134,840</b>	<b>48,405</b>	<b>14</b>	<b>6,150</b>	<b>(8,940)</b>	<b>682,796</b>	<b>1,011,581</b>	<b>895</b>	<b>1,055,512</b>
At 1 April 2016	41,916	125,031	9,997	130,090	79,331	14	6,150	(8,940)	532,507	874,180	(58,720)	857,376
Exchange difference on translation of foreign operations	-	-	-	-	356	-	-	-	-	356	-	356
Profit/(loss) for the period	-	-	-	-	-	-	-	-	70,755	70,755	(202)	70,553
Total comprehensive income/(expenses) for the period	-	-	-	-	356	-	-	-	70,755	71,111	(202)	70,909
Final 2016 dividend paid (note 7)	-	-	-	-	-	-	-	-	(20,958)	(20,958)	-	(20,958)
At 30 September 2016	41,916	125,031	9,997	130,090	79,687	14	6,150	(8,940)	582,304	924,333	(58,922)	907,327

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited  
for the six months ended  
30 September

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(97,335)</b>	46,642
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	<b>(76,862)</b>	(64,766)
Proceeds from disposal of items of property, plant and equipment	<b>9</b>	111
Net cash flows used in investing activities	<b>(76,853)</b>	(64,655)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	<b>119,432</b>	178,546
Repayment of bank loans	<b>(89,286)</b>	(33,196)
Issue of shares	<b>2,423</b>	–
Net cash flows from financing activities	<b>32,569</b>	145,350
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(141,619)</b>	127,337
Cash and cash equivalents at beginning of period	<b>289,018</b>	211,513
Effect of foreign exchange rate changes, net	<b>11,206</b>	350
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>158,605</b>	339,200
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>151,841</b>	332,591
Time deposits	<b>6,764</b>	6,609
	<b>158,605</b>	339,200

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial information has been prepared under the historical cost convention, except for the investment properties that are measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated financial information is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017 except as described below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements</i>	<i>Amendments to HKFRS 12 Clarification of the scope of</i>
<i>2014 – 2016 Cycle</i>	<i>disclosure requirements in HKFRS 12</i>

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

### 2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- (a) the electrical and electronic products segment consists of the manufacture and sale of AI robotics, IoT and smart home products, electronic entertainment products and other related products;
- (b) the motors segment consists of the manufacture and sale of motors and encoder film;
- (c) real estate development; and
- (d) the resources development segment consists of the sale of mineral products.



## 2. SEGMENT INFORMATION (continued)

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated financial information.

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

### (a) Operating segments

The following table presents revenue and results for the Group's operating segments for the six months ended 30 September 2017 and 2016.

	Electrical and electronic products		Motors		Real estate development		Resources development		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Revenue from external customers	1,018,532	871,257	456,151	378,594	-	-	-	12	-	-	1,474,683	1,249,863
Intersegment sales	27,026	21,444	4,829	2,665	-	-	-	-	(31,855)	(24,109)	-	-
Other income and gains, net	3,297	2,573	14,083	4,078	70	7	2,362	-	-	-	19,812	6,658
<b>Total</b>	<b>1,048,855</b>	<b>895,274</b>	<b>475,063</b>	<b>385,337</b>	<b>70</b>	<b>7</b>	<b>2,362</b>	<b>12</b>	<b>(31,855)</b>	<b>(24,109)</b>	<b>1,494,495</b>	<b>1,256,521</b>
Segment results	72,614	94,381	39,869	10,510	(3,667)	(3,053)	1,396	(1,937)	-	-	110,212	99,901
Interest and unallocated gains											5,376	3,334
Unallocated expenses											(15,350)	(10,092)
Finance costs											(1,519)	(37)
<b>Profit before tax</b>											<b>98,719</b>	<b>93,106</b>

### (b) Geographical information

	United States of America		Europe		Asia		Others		Consolidated		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:											
Revenue from external customers	460,648	453,379	311,832	257,269	639,573	483,691	62,630	55,524	1,474,683	1,249,863	

The revenue information above is based on the location of the customers.

### 3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-group transactions. An analysis of revenue, other income and gains, net is as follows:

	<b>Unaudited for the six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Manufacture and sale of:		
Electrical and electronic products	<b>1,018,532</b>	871,257
Motors	<b>456,151</b>	378,594
Materials and products from resources development	–	12
	<b>1,474,683</b>	1,249,863
<b>Other income and gains, net</b>		
Bank interest income	<b>467</b>	403
Dividend income from financial assets		
at fair value through profit or loss	<b>850</b>	737
Gross rental income	<b>194</b>	168
Sale of scrap materials	<b>2,537</b>	487
Gain/(loss) on disposal of items of property, plant and equipment, net	<b>8</b>	(4)
Fair value gain on financial assets		
at fair value through profit or loss, net	<b>3,931</b>	2,194
Subsidy income	<b>11,627</b>	5,097
Gain on disposals of subsidiaries	<b>2,072</b>	–
Others	<b>3,502</b>	910
	<b>25,188</b>	9,992

#### 4. FINANCE COSTS

	Unaudited for the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Interest on bank loans	<u>1,519</u>	<u>37</u>

During the period ended 30 September 2017, interest of HK\$3,460,000 (2016: HK\$2,650,000) was capitalised under properties under development. Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 2.6% (2016: 2.5%) has been applied to the expenditure on the individual assets for the period ended 30 September 2017.

#### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Unaudited for the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Cost of inventories sold	1,292,618	1,065,597
Depreciation	37,794	38,323
Amortisation of prepaid land lease payments	317	327
Loss/(gain) on disposal of items of property, plant and equipment, net	(8)	4
Fair value gain on financial assets at fair value through profit or loss, net	(3,931)	(2,194)
Bank interest income	<u>(467)</u>	<u>(403)</u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates.

	Unaudited for the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Hong Kong	8,318	12,028
Elsewhere	8,631	10,525
Total tax charge for the period	<u>16,949</u>	<u>22,553</u>

## 7. DIVIDENDS

	Unaudited for the six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
<b>Dividend paid during the period</b>		
Final dividend in respect of the financial year ended 31 March 2017 – HK5.0 cents per ordinary share (2016: final dividend in respect of the financial year ended 31 March 2016 – HK5.0 cents per ordinary share)	<u>21,518</u>	<u>20,958</u>
<b>Declared interim and special dividend</b>		
Interim dividend declared for the financial period ended 30 September 2017 – HK3.0 cents per ordinary share (30 September 2016 – HK5.0 cents per ordinary share)	12,941	20,958
Special dividend – Nil (30 September 2016 – HK15.0 cents per ordinary share)	–	62,874
	<u>12,941</u>	<u>83,832</u>

The interim dividend will be paid to the shareholders whose names appear in the Register of Members on 15 December 2017. The interim dividend was declared after the financial period ended 30 September 2017, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$81,838,000 (2016: HK\$70,755,000) and the weighted average of 429,200,000 (2016: 419,160,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$81,838,000 (2016: HK\$70,755,000) and 432,372,000 (2016: 420,727,000) ordinary shares, being the number of shares outstanding during the period, adjusted for the effects of the dilutive potential ordinary shares outstanding during the period.

A reconciliation of the weighted average number of ordinary shares used in calculating basic and diluted earnings per share is as follows:

	<b>Unaudited for the six months ended 30 September</b>	
	<b>2017</b>	2016
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>429,200,000</b>	419,160,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period	<b>3,172,000</b>	1,567,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>432,372,000</b>	420,727,000

## 9. PROPERTIES UNDER DEVELOPMENT

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
Properties under development	<b>269,410</b>	245,376
Current portion	<b>(217,379)</b>	(200,287)
Non-current portion	<b>52,031</b>	45,089

The properties under development include costs of acquiring rights to use certain lands, which are located in Mainland China, for property development and are under medium to long term leases.

As at 31 March 2017, certain properties under development of HK\$66,950,000 which previously impaired was written bank to reflect the increase in net realisable value of these properties.

No further impairment was made for the period ended 30 September 2017.

## 10. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where cash on sale or payment in advance is normally required. The credit period is generally for a period of one to two months, extending up to three months for certain well-established customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has imposed tightened control to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances. Accounts and bills receivable are non-interest-bearing.

An aging analysis of the accounts and bills receivable as at the end of the reporting period, based on the invoice date, is as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
0 – 30 days	<b>320,575</b>	222,352
31 – 60 days	<b>95,738</b>	60,134
61 – 90 days	<b>53,684</b>	29,364
Over 90 days	<b>25,904</b>	26,230
	<b>495,901</b>	338,080
Less: Impairment allowance	<b>(810)</b>	(1,558)
	<b>495,091</b>	336,522

The substantial increase in the accounts and bills receivable is owing to the seasonal factor where usually September (30 September 2016: HK\$414,440,000) is the high season and March (31 March 2016: HK\$222,191,000) is the low season.

## 11. PREPAYMENTS AND DEPOSITS

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Deposits for mining projects	–	23,516
Deposits for property, plant and equipment	148,522	94,071
Prepayments	92,987	83,777
Tax reserve certificates	25,408	20,375
Other deposits	1,525	868
Prepaid land lease payments	633	639
	<u>269,075</u>	<u>223,246</u>
Less: Impairments	–	(77,557)
	<u>269,075</u>	145,689
Less: Current portion	<u>(119,196)</u>	<u>(50,984)</u>
Non-current portion	<u>149,879</u>	<u>94,705</u>

## 12. ACCOUNTS PAYABLES, ACCRUED LIABILITIES, OTHER PAYABLES AND DEFERRED INCOME

An aging analysis of the Group's accounts payables as at the end of the reporting period, based on the invoice date, and the balance of accrued liabilities, other payables and deferred income are as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	Audited 31 March 2017 HK\$'000
0 – 30 days	<b>205,531</b>	198,563
31 – 60 days	<b>170,963</b>	93,366
61 – 90 days	<b>108,244</b>	53,937
Over 90 days	<b>60,062</b>	29,548
Accounts payables	<b>544,800</b>	375,414
Accrued liabilities	<b>209,908</b>	208,295
Other payables	<b>42,375</b>	26,845
Receipt in advance*	<b>77,611</b>	15,966
Deferred income**	<b>143,369</b>	146,306
	<b>1,018,063</b>	722,826
Less: Current portion	<b>(894,978)</b>	(632,276)
Non-current portion	<b>123,085</b>	140,550

The accounts payables and other payables are non-interest-bearing and are normally settled within credit terms of two months, extending up to three months.

\* Balance included HK\$58,036,000 (31 March 2017: HK\$8,864,000) being deposits received in advance from pre-sales of properties in Guizhou Province ("Guizhou"), the People's Republic of China (the "PRC").

\*\* Balance represented government grants received in respect of the subsidies from The People's Government of the Dushan County ("Dushan"), Guizhou, the PRC for the Group's manufacturing company located in Dushan, Guizhou, the PRC. These grants are held as deferred income and recognised to the income statement on a systematic basis. During the period ended 30 September 2017, subsidies of HK\$10,142,000 (2016: HK\$3,089,000) had been recognised and included in subsidy income of "Other income and gains, net" on the face of the consolidated income statement.



### 13. INTEREST-BEARING BANK BORROWINGS

	Unaudited 30 September 2017			Audited 31 March 2017		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
<b>Current – unsecured</b>						
Bank loans	<b>Hong Kong Interbank Offered Rate (“HIBOR”) + 1.88% to 1.90%</b>	<b>2018</b>	<b>41,750</b>	HIBOR + 1.90%	2018	20,000
Bank loans	<b>HIBOR + 1% to 1.90%</b>	<b>On demand</b>	<b>95,376</b>	HIBOR + 1% to 1.90%	On demand	203,918
Bank loans	<b>4.785%</b>	<b>On demand</b>	<b>67,086</b>	4.785%	On demand	50,392
			<b>204,212</b>			274,310
<b>Non-current – unsecured</b>						
Bank loans	<b>HIBOR + 1.88% to 1.90%</b>	<b>2019 – 2021</b>	<b>168,500</b>	HIBOR + 1.90%	2019	65,000
			<b>372,712</b>			<b>339,310</b>

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company. The carrying amounts of the Group's bank borrowings approximate to their fair values. Except for a bank borrowing of HK\$67,086,000 (31 March 2017: HK\$50,392,000) which is denominated in Renminbi, all other bank borrowings are denominated in Hong Kong dollars.

### 14. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Contracted for commitments in respect of the acquisition of items of property, plant and equipment	<b>220,153</b>	160,458
Contracted for commitments in respect of properties under development and investment properties	<b>114,139</b>	106,190

The Group had outstanding commitments amounting to HK\$261,269,000 (31 March 2017: HK\$48,550,000) as at the end of the reporting period in respect of the investments in subsidiaries.

The Group had outstanding commitments amounting to HK\$2,046,000 (31 March 2017: HK\$2,497,000) as at the end of the reporting period in respect of irrevocable letters of credit.

## 15. CONTINGENT LIABILITIES

- (a) From March 2014 to February 2017, the Hong Kong Inland Revenue Department (“IRD”) issued estimated assessments (“EA”) for the years of assessment from 2007/08 (which were statutorily time-barred after 31 March 2014) to 2010/11 with tax demanded to certain subsidiaries of the Group (the “Subsidiaries”) amounted to HK\$49,088,000 in total.

The subsidiaries lodged objections to each of the EA from the year ended 31 March 2015 to 31 March 2017. With respect to each of the objections the Subsidiaries lodged, the IRD ordered the Subsidiaries to purchase tax reserve certificates with the total amount of HK\$25,408,000 and to holdover the remaining balances of the tax demanded on the condition that an 8% annual interest will be charged should the balance become payable upon settlement of the objection.

In the opinion of the directors of the Company (the “Directors”), there is no specific basis for adjusting the Subsidiaries’ tax position for the years of assessment 2007/08, 2008/09, 2009/10 and 2010/11 specified in the EA at this stage. Therefore, the Directors are of the view that no additional tax provision for Hong Kong profits tax is required at this stage. The Subsidiaries will continue to discuss with the IRD and monitor the progress of the tax audit and to defend the Subsidiaries’ tax position vigorously. Therefore, no additional tax provision was provided thereon as at 30 September 2017 (31 March 2017: Nil).

- (b) During the period ended 30 September 2017, the Group has given guarantees (the “Guarantees”) of RMB1,890,000 (equivalent to approximately HK\$2,224,000) (31 March 2017: RMB990,000 (equivalent to approximately HK\$1,109,000)) to banks for housing loans extended by the banks to the purchasers of the Group’s properties for a period from the date the loans were granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers. Pursuant to the terms of the Guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalties owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties.

The fair value of the Guarantees is not significant and the Directors consider that, in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the period ended 30 September 2017 for the Guarantees.

## 16. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial information were approved and authorised for issue by the Board on 28 November 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group operates two main business streams namely, manufacturing and non-manufacturing. In the manufacturing arena, it is mainly engaged in the research-and-development-based production of electrical and electronic products and motors. The non-manufacturing category currently comprises mainly real estate development business activities.

During the six months ended 30 September 2017 ("1H FY2018"), the Group achieved solid operating results and reaffirmed a healthy full-year outlook. Profit attributable to equity holders of the Company increased by 15.7% year-on-year to HK\$81,838,000, compared with HK\$70,755,000 for the six months ended 30 September 2016 ("1H FY2017"). The increase in earnings was mainly attributable to the improvements in the operating results of the motors segment, together with the recognition of certain subsidy income during 1H FY2018.

The Group's turnover was up by 18.0% year-on-year to HK\$1,474,683,000 for 1H FY2018 (1H FY2017: HK\$1,249,863,000).

The total turnover of the Group was accounted for by segmental external turnover of:

- HK\$1,018,532,000 from the electrical and electronic products segment, representing 69.1% of the Group's consolidated turnover for 1H FY2018 (1H FY2017: HK\$871,257,000, 69.7%);
- HK\$456,151,000 from the motors segment, contributing 30.9% of the total (1H FY2017: HK\$378,594,000, 30.3%); and
- No turnover was booked from property pre-sales of the real estate development business segment during 1H FY2018 (1H FY2017: Nil, 0%).

The table below sets out the results of the Group by business segment for 1H FY2018, together with the comparative figures for 1H FY2017:

<b>Results by business segment</b>	<b>1H FY2018</b> <i>HK\$'000</i>	1H FY2017 <i>HK\$'000</i>	Year-on-year change %
Electrical and electronic products	<b>72,614</b>	94,381	-23.1
Motors	<b>39,869</b>	10,510	+279.3
Real estate development	<b>(3,667)</b>	(3,053)	NA
Resources development	<b>1,396</b>	(1,937)	NA
Total segment results	<b>110,212</b>	99,901	+10.3

## OPERATIONAL REVIEW

### Manufacturing Businesses

The Group now operates three major production bases in the PRC. Two of the manufacturing centres are located in Guangdong Province, respectively in Songgang, Baoan District, Shenzhen City (“Shenzhen”) and Shixing County (“Shixing”), Shaoguan City, with the latest addition of the third production base established in Dushan, Guizhou.

The Shenzhen centre is dedicated to high-value-added processes for artificial intelligence (“AI”) robotics and Internet of Things (“IoT”) manufacturing. Shixing is a major production base for micro motors manufacturing, and provides manufacturing capability for robotics and smart products. In addition, facilities in Dushan are engaged in manufacturing of micro motors, while capacities for robotics and smart products are under development.

### *Electrical and Electronic Products Business Segment*

The segment is engaged in the development, design and manufacture of four main product categories: (i) AI robotics, (ii) IoT and smart home products, (iii) electronic entertainment products, and (iv) other products including small home appliances. The segment’s research-and-development (“R&D”) and production platforms are located in Shenzhen and Shixing.

Driven by strong sales of AI robotic products and contribution of the new IoT series, segment external turnover grew 16.9% year-on-year to HK\$1,018,532,000 (1H FY2017: HK\$871,257,000). However, as Renminbi has appreciated by approximately 6% (from high to low) during the period under review, the increase in Renminbi-based costs, including certain raw material and labour costs, has led to the decrease in segment profit to HK\$72,614,000 (1H FY2017: HK\$94,381,000).

#### *Robotics*


The Group made further progress on robotics manufacturing during 1H FY2018. Apart from the robotic vacuum cleaning product series, which continued to record sales growth, the segment has extended to manufacturing of other indoor and outdoor products.

The market demand for robotic vacuum cleaners continues to expand despite increasing and challenging customer requirements and expectations. Working with its clients, the segment has newly utilised advanced machine learning technologies, cognitive computing and smart manufacturing capabilities to improve product performance and to develop functionalities of higher intelligence. This is supported by the segment’s ongoing efforts to raise the level of automation and customisation at its production floors.

The resulting advancement in product diversity and sophistication has brought both business growth and a more balanced revenue base for the segment.

#### *Internet of Things and Smart Home Products*

IoT allows physical devices to exchange and analyse data, and forms an ecosystem which has become a common presence in our daily lives with increasing worldwide economic impact.



The Group's IoT business line has created a dynamic mix of products. The current scope of development and production work falls into four major categories, namely smart home, healthcare wearable, STEM education, and online gaming. In particular, the business line is set to ride the trend of a smart home boom in the market. The skill sets in producing indoor robots have formed the building blocks for its development of upmarket smart home devices. The first batch of these home products has been introduced to the market during 1H FY2018.

The launch of the STEM educational robot construction kit in FY2017 met with success, with its output expected to be doubled in the current fiscal year. Another product with promising potential is a gaming robot employing virtual reality technology. Also moving from development to production is a range of apps-enabled droids, wearable tracking devices, and habit learning and communication robots. This business line expects to witness the launch of a number of home-use droids on a major smart devices sales channel during FY2018.

#### *Electronic Entertainment Products*

This business line continues to be a core component of the segment. In collaboration with major international players, the segment is developing items that are tied to blockbuster movies. With higher technology content, these new items are pushing the electronic entertainment product line to new levels of innovative play experience.

These projects are expected to move to production in the second half of FY2018 with part of the initial sales contribution to be reflected in the current full-year results.

#### **Motors Business Segment**

The motors segment is engaged in the development, design, manufacture and sale of micro-electric motors and related products, with a focus on direct-current ("DC") motors. The segment's major facilities are located in Shixing and Dushan, with a small-scale production facility in Malaysia.

Segment external turnover showed a marked increase of 20.5% year-on-year to HK\$456,151,000 (1H FY2017: HK\$378,594,000) on a robust order for the DC motors line. Segment profit also improved significantly by 279.3% to HK\$39,869,000 (1H FY2017: HK\$10,510,000) generated by the focus on higher-margin DC motors business.

The segment further automated its production process, thereby helping to minimise labour costs while improving product quality and operating efficiency. Further benefits from automation are expected to be reflected in the second quarter of 2018.

Active business developments have also helped build a stable growth platform for the segment. During 1H FY2018, existing overseas markets continued to generate steady sales growth. Going forward, the segment will explore the market potential of the PRC.

Expansion of facilities in Dushan proceeded on the right track. With the smooth ramping up of the production lines and installation of automated processes, the Dushan centre delivered a solid performance during 1H FY2018 and is on schedule to grow into the segment's major production site in the long run.

## Non-manufacturing Businesses

### **Real Estate Development Business Segment**

#### *The Royale Cambridge Residences and Commercial Development, Dushan EDZ*

The Group is currently engaged in the development of a residential and commercial property project located at 貴州獨山經濟開發區 (English translation: Dushan Economic Development Zone) (the “Dushan EDZ”), Dushan, Guizhou, the PRC.

Pre-sales of the 116 low-density residential units under phase I of the residential development, The Royale Cambridge Residences, continued during the period under review. Up to the date of this report, a considerable portion of the phase I residential units were pre-sold with average achieved selling price of more than RMB5,500 per square metre.

The management expects that pre-sales revenue from this segment will be recognised following the granting of the final acceptance of construction with respect to the residential development project towards the financial year ending 31 March 2018. A segment loss of HK\$3,667,000 (1H FY2017: loss of HK\$3,053,000) was recorded, mainly attributable to administrative expenses.

The boosting of both the transaction volume and price of the property market in Dushan is mainly attributable to the robust economic development in Dushan driven by, inter alia, the continuing government efforts in rebuilding the city into a tourist-centric destination and in soliciting business and attracting investments to Dushan.

In view of the progress of construction of the Guiyang-Nanning High-speed Railway, which is planned to have a station approximately one kilometre from our site, as well as other local infrastructure developments including a public hospital and main roads, the management is of the view that the value of this residential and commercial development project will increase over time. The Group continues to maintain an appropriate pace of development so as to maximise its long-term return from the project with a strategic plan to develop the phase II of this residential project with an expected approximately another 112 low-density residential units and commercial properties.

#### *Resident Resettlement Project, Dushan EDZ*

Following the voluntary announcement (the “Voluntary Announcement”) made by the Company in relation to strategic cooperation in Dushan in September last year, there is concrete development as to the Shanty-Town Reformation Project as referred to in the Voluntary Announcement. This project shall be a resident resettlement project (the “Resettlement Project”) for the government to provide compensation to the residents whose properties are demolished or affected by the urbanisation and economic development. In a letter of intent entered into between 獨山縣房地產管理局 (English translation: Dushan County Real Estate Supervision Office) (the “Office”) and the Group in September 2017, the Office offered to guarantee the purchase of 3,000 units of such Resettlement Project at an unit price of RMB3,500 per square metre for a total saleable floor area of approximately 400,000 square metres in the ensuing two years from the Group. The segment is in the final stage of evaluating this Resettlement Project of more than 600,000 square metres resettlement property (together with additional supplementary commercial property space). Appropriate disclosure in relation to the Resettlement Project and/or the Voluntary Announcement will be made by the Company as and when appropriate in accordance with the Listing Rules.

### **Resources Development Business Segment**

The disposal of the core operating subsidiaries of the Company relating to the said business was completed in September 2017. After the aforesaid disposal, the Group has no operations and/or business interest in any entity and/or business relating to the resources development business.

The Board considers that it is in the best interests of the Company and its shareholders as a whole to exit the resources development business, enabling the Group to better utilise its resources in other core and/or potential businesses.

During 1H FY2018, no segment turnover was contributed (1H FY2017: HK\$12,000). Gain of HK\$2,072,000 from disposal of subsidiaries of the natural resources development business was made, and the segment profit was HK\$1,396,000 (1H FY2017: loss of HK\$1,937,000).

## **OUTLOOK**

The Group reaffirms a promising full-year outlook based on strong performances on various business fronts.

The electrical and electronic products segment is well on track to achieve its target of double-digit sales growth for the whole year. With a pipeline of robotics, IoT and smart home development projects ready for production, the segment is confident of sustaining revenue expansion over the coming three years.

After delivering satisfactory results in 1H FY2018, the motors segment looks forward to a new phase of high growth over the next few years. The segment continues to boost sales to all sectors to meet the market demand. After consistent efforts being put into automation work, the Group will mark a milestone in this financial year with significant positive impacts from automation contributing to profit margin improvements.

Our production platform based in Shenzhen, Shixing and Dushan will support the Group's furtherance of core manufacturing strength. This platform will enable the Group to accommodate advanced technological requirements while maintaining stable assembling capacities.

The real estate segment is recording a steady pace of development. The management notes increased government investments to spur economic development in Dushan, as well as the economic impact of the high-speed rail connection. These macro developments will provide further upside for the Group's property investments in the county. Our strategy remains to capture the best potential value of the acquired land by undertaking developments in phases, and to reinvest sales proceeds to finance new projects.

The Group's industrial and real estate developments in Dushan have been going smoothly, with the policy support of the local government. In line with China's directive to modernise Guizhou, Dushan will enjoy a set of targeted policy support measures from the Central People's Government of the PRC. We maintain an optimistic view of our developments in Dushan.

While confident of the Group's ongoing prospects, the Board will remain alert to continuing global uncertainties and changing market trends in order to avoid any adverse impact on our operations.

## LIQUIDITY AND FINANCIAL POSITION

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development. The Group has always been executing a prudent and conservative strategy in its financial management. As at 30 September 2017, the Group had time deposits of HK\$6,764,000 (31 March 2017: HK\$6,430,000), cash and bank balances of HK\$151,841,000 (31 March 2017: HK\$282,588,000), and net current assets of HK\$321,473,000 (31 March 2017: HK\$214,565,000). As at 30 September 2017, shareholders' equity was HK\$1,054,617,000 (31 March 2017: HK\$955,137,000). Total consolidated banking facilities (including trade finance facilities) of the Group from all banks as at 30 September 2017 amounted to approximately HK\$689,850,000 (31 March 2017: HK\$695,086,000), of which HK\$374,758,000 (31 March 2017: HK\$341,807,000) was utilised including interest-bearing bank borrowings of HK\$372,712,000 (31 March 2017: HK\$339,310,000) and irrecoverable letter of credit of HK\$2,046,000 (31 March 2017: HK\$2,497,000).

As at 30 September 2017, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.3 times (31 March 2017: 1.2 times) and the gearing ratio of the Group (total interest-bearing bank borrowings divided by total equity) was 35.3% (31 March 2017: 37.4%). Based on the above, the Group has continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

## CAPITAL STRUCTURE

As at 30 September 2017, the total issued share capital of the Company was HK\$43,036,000 (31 March 2017: HK\$42,836,000), comprising 430,360,000 (31 March 2017: 428,360,000) ordinary shares of HK\$0.10 each.

During the reporting period, the Company issued 2,000,000 ordinary shares (31 March 2017: 9,200,000 ordinary shares) upon exercise of share options granted to the Directors and employees of the Company under the share option schemes of the Company.





## **CHARGE ON THE GROUP'S ASSETS**

There was no charge on the Group's assets as at 30 September 2017 (31 March 2017: Nil).

## **FOREIGN CURRENCY EXPOSURE**

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and Renminbi or United States dollars. The Group does not have a foreign currency hedging policy on it. In order to manage and minimise the foreign exchange risk, the management shall from time to time review and monitor the foreign exchange exposure and will consider hedging the significant foreign currency exposure when appropriate and necessary.

## **MATERIAL ACQUISITION AND DISPOSAL**

Save as disclosed above, during the reporting period, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2017, the Group employed over 11,100 full-time employees, of which less than 130 were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The remuneration committee of the Company made recommendation to the Board on the policy and structure of the Company for all remuneration of Directors, and reviewed and determined the remuneration package of individual executive Director and senior management of the Company with reference to the Board's corporate goals and objectives, responsibilities and employment conditions elsewhere within the Group and in the market. The Group remunerates its employees largely in accordance with prevailing industry standards. In Hong Kong, the Group's employee benefits include staff retirement scheme, medical scheme and performance bonus. In the PRC and Malaysia, the Group provides its employee staff welfare and allowances in accordance with prevailing labour laws. The Group has also put in place a share option scheme to motivate and reward staff with outstanding performance. At the discretion of the Board, the Group's employees will be granted the options, of which the number of options granted is determined by individual performance and level of responsibilities.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interests of the Directors 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")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

### (a) Interests in the shares of the Company

Name of Director	Long position/ Short position	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued shares (Note 1)
Mr. Cheng Chor Kit	Long position	Founder of a trust	282,920,000 (Note 2)	65.74%
		Beneficial owner	5,606,000	1.30%
		Interests held by spouse	3,700,000	0.86%
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	8,152,000	1.89%
Mr. Liu Tat Luen	Long position	Beneficial owner	500,000	0.11%
Mr. Cheng Tsz To	Long position	Beneficial owner	2,500,000	0.58%
		Beneficiary of trust	282,920,000 (Note 2)	65.74%
Mr. Cheng Tsz Hang	Long position	Beneficial owner	2,500,000	0.58%
		Beneficial of trust	282,920,000 (Note 2)	65.74%
Mr. Wong Chi Wai	Long position	Beneficial owner	500,000	0.11%
Dr. Sun Kwai Yu, Vivian	Long position	Beneficial owner	500,000	0.11%
Mr. Cheng Kwok Kin, Paul	Long position	Beneficial owner	80,000	0.01%
Mr. Cheung Wang Ip	Long position	Beneficial owner	200,000	0.04%

Notes:

- (1) The percentage of shareholding is calculated based on 430,360,000 shares, being the total number of issued ordinary shares of the Company as at 30 September 2017.
- (2) These shares are held by Resplendent Global Limited ("Resplendent"), a wholly-owned subsidiary of Padora Global Inc. which is wholly-owned by Polo Asset Holdings Limited ("Polo Asset"). Polo Asset is in turn wholly-owned by a discretionary trust (the "Trust") established by Mr. Cheng Chor Kit for his family.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### (b) Interests in the underlying shares of the Company

Name of Director	Long position/ Short position	Capacity	Number of underlying shares in respect of share options held and approximate percentage of shareholding	Date of share options granted	Exercise period	Exercise price per share HK\$
Mr. Cheng Chor Kit	Long position	Beneficial Owner	4,000,000 (0.92%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Liu Tat Luen	Long position	Beneficial Owner	2,000,000 (0.46%)	4/1/2010	4/1/2013 – 3/1/2020	2.102
			1,500,000 (0.34%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Cheng Tsz To	Long position	Beneficial Owner	500,000 (0.11%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Cheng Tsz Hang	Long position	Beneficial Owner	500,000 (0.11%)	10/3/2016	10/3/2016 – 9/3/2026	1.160
Mr. Chin Wee Hon <sup>β</sup>	Long position	Beneficial Owner	1,000,000 (0.23%)	10/3/2016	10/11/2017 – 9/3/2026	1.160
Mr. Hui Ka Po, Alex	Long position	Beneficial Owner	1,000,000 (0.23%)	10/3/2016	17/2/2019 – 9/3/2026	1.160
Mr. Wong Chi Wai	Long position	Beneficial Owner	300,000 (0.07%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
			400,000 (0.09%)	7/7/2017	7/7/2017 – 6/7/2027	2.262
			100,000 (0.02%)	7/7/2017	13/9/2017 – 6/7/2027	2.262
Dr. Sun Kwai Yu, Vivian	Long position	Beneficial Owner	300,000 (0.07%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
			400,000 (0.09%)	7/7/2017	7/7/2017 – 6/7/2027	2.262
			100,000 (0.02%)	7/7/2017	13/9/2017 – 6/7/2027	2.262
Mr. Cheng Kwok Kin, Paul	Long position	Beneficial Owner	100,000 (0.02%)	7/7/2017	7/7/2017 – 6/7/2027	2.262
Mr. Cheung Wang Ip	Long position	Beneficial Owner	100,000 (0.02%)	7/7/2017	21/7/2017 – 6/7/2027	2.262

<sup>β</sup> Subsequent to the reporting date, Mr. Chin Wee Hon has exercised 1,000,000 share options on 10 November 2017 and resigned as Director on 12 November 2017.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(continued)*

Save as disclosed above, as at 30 September 2017, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) 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 he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### **SHARE OPTION SCHEME**

The Company operates share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Directors, including independent non-executive Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, the Company's shareholders and any non-controlling interests in the Company's subsidiaries.

The Scheme adopted on 20 August 2002 (the "Old Share Option Scheme") was terminated on 19 August 2012, the Company adopted a new Scheme (the "New Share Option Scheme") at the Company's Annual General Meeting held on 20 August 2012. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from that date.

Subsequent to the termination of the Old Share Option Scheme, no further option can be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

## SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the period:

	Date of share options granted	Number of share options				At 30 September 2017	Exercise period	Exercise price per share HK\$	Price of the Company's shares at grant date* HK\$
		At 1 April 2017	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>									
Mr. Cheng Chor Kit	10/3/2016	4,000,000	-	-	-	4,000,000	10/3/2016 – 9/3/2026	1.160	1.160
Mr. Liu Tat Luen	4/1/2010	2,000,000	-	-	-	2,000,000	4/1/2013 – 3/1/2020	2.102	2.060
	10/3/2016	1,500,000	-	-	-	1,500,000	10/3/2016 – 9/3/2026	1.160	1.160
Mr. Cheng Tsz To	10/3/2016	500,000	-	-	-	500,000	10/3/2016 – 9/3/2026	1.160	1.160
Mr. Cheng Tsz Hang	10/3/2016	500,000	-	-	-	500,000	10/3/2016 – 9/3/2026	1.160	1.160
Mr. Chin Wee Hon <sup>β</sup>	10/3/2016	1,000,000	-	-	-	1,000,000	10/11/2017 – 9/3/2026	1.160	1.160
Mr. Hui Ka Po, Alex	10/3/2016	1,000,000	-	-	-	1,000,000	17/2/2019 – 9/3/2026	1.160	1.160
Mr. Wong Chi Wai	29/3/2011	300,000	-	-	-	300,000	29/3/2011 – 28/3/2021	2.792	2.770
	19/3/2013	500,000	-	(500,000)	-	-	19/3/2013 – 18/3/2023	0.974	0.950
	7/7/2017	-	400,000	-	-	400,000	7/7/2017 – 6/7/2027	2.262	2.220
	7/7/2017	-	100,000	-	-	100,000	13/9/2017 – 6/7/2027	2.262	2.220
Dr. Sun Kwai Yu, Vivian	29/3/2011	300,000	-	-	-	300,000	29/3/2011 – 28/3/2021	2.792	2.770
	7/7/2017	-	400,000	-	-	400,000	7/7/2017 – 6/7/2027	2.262	2.220
	7/7/2017	-	100,000	-	-	100,000	13/9/2017 – 6/7/2027	2.262	2.220
Mr. Cheng Kwok Kin, Paul	10/3/2016	200,000	-	(200,000)	-	-	23/6/2017 – 9/3/2026	1.160	1.160
	7/7/2017	-	100,000	-	-	100,000	7/7/2017 – 6/7/2027	2.262	2.220
Mr. Cheung Wang Ip	10/3/2016	200,000	-	(200,000)	-	-	21/7/2017 – 9/3/2026	1.160	1.160
	7/7/2017	-	100,000	-	-	100,000	21/7/2017 – 6/7/2027	2.262	2.220
<b>Other employees</b>									
In aggregate	19/10/2009	500,000	-	(500,000)	-	-	19/10/2012 – 18/10/2019	1.550	1.550
	29/3/2011	650,000	-	-	-	650,000	29/3/2011 – 28/3/2021	2.792	2.770
	10/3/2016	300,000	-	(300,000)	-	-	15/5/2017 – 9/3/2026	1.160	1.160
	10/3/2016	300,000	-	(300,000)	-	-	3/6/2017 – 9/3/2026	1.160	1.160
	7/7/2017	-	400,000	-	-	400,000	7/7/2017 – 6/7/2027	2.262	2.220
	7/7/2017	-	100,000	-	-	100,000	11/2/2017 – 6/7/2027	2.262	2.220
		<u>13,750,000</u>	<u>1,700,000</u>	<u>(2,000,000)</u>	<u>-</u>	<u>13,450,000</u>			

\* The price of the Company's shares disclosed as at the date of grant of the share options was the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

<sup>β</sup> Subsequent to the reporting date, Mr. Chin Wee Hon has exercised 1,000,000 share options on 10 November 2017 and resigned as Director on 12 November 2017.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share option scheme" above, at no time during the six months period ended 30 September 2017 were there any rights to acquire benefits by means of the acquisition of shares in the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than the Directors or the chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures 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 to be kept by the Company under Section 336 of the SFO, were as follows:

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued shares (Note 1)	Numbers of share options held
Mr. Cheng Chor Kit	Founder of the Trust, beneficial owner and interests held by spouse	292,226,000 (Note 2)	67.90%	4,000,000 (Note 2)
Ms. Tsang Yuk Wan	Interest of spouse and beneficial owner	296,226,000 (Note 3)	67.90%	–
Resplendent Global Limited	Beneficial owner	282,920,000	65.74%	–
HSBC International Trustee Limited	Trustee of the Trust	282,920,000 (Note 4)	65.74%	–

Notes:

- (1) The percentage of shareholding is calculated based on 430,360,000 shares, being the total number of issued ordinary shares of the Company as at 30 September 2017.
- (2) This refers to the same block of shareholding of Mr. Cheng Chor Kit described in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.
- (3) Ms. Tsang Yuk Wan is the spouse of Mr. Cheng Chor Kit and is deemed to be interested in the shares which are interested by Mr. Cheng Chor Kit under Part XV of the SFO.
- (4) HSBC International Trustee Limited, the trustee of the Trust of which established by Mr. Cheng Chor Kit, was then taken to be interested in 282,920,000 shares of the Company. Such interest included that shares owned by Resplendent as described in note 2 of the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.

All the interests stated above representing long position.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(continued)*

Save as disclosed above, as at 30 September 2017, other than Mr. Cheng Chor Kit, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, the Directors were not aware of any person who had an interest or short position in the shares, underlying shares and debentures 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 to be kept by the Company under Section 336 of the SFO.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's Register of Members will be closed between Wednesday, 13 December 2017 to Friday, 15 December 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the declared interim dividend for the six months ended 30 September 2017, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 12 December 2017.

## **DIVIDEND**

On 28 November 2017, the Board resolved to declare the payment of an interim dividend of HK3.0 cents per ordinary share (2016: interim and special dividends of HK5.0 cents and HK15.0 cents per ordinary share, respectively). The dividend of HK3.0 cents per ordinary share will be paid to shareholders registered on the Register of Members on Friday, 15 December 2017. The interim dividend will be payable on or before 5 January 2018.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the reporting period.

## **DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES**

In April and July 2015, the Company, as a borrower, entered into a renewed and a new term loan facility agreements of HK\$100,000,000 each with 2 different banks for a term of 60 months and a term of 36 months, respectively.

Each of the term loan facility agreement imposes, inter alia, a condition that Mr. Cheng Chor Kit, the Director and the controlling shareholder (as defined under the Listing Rules) of the Company, and the discretionary trust set up by him for the benefit of his family collectively shall beneficially or directly maintain a shareholding of not less than 50% of the issued share capital of the Company (the "Specific Performance Obligations"). A breach of the Specific Performance Obligations will constitute an event of default under the relevant facility letter. Upon the occurrence of such event, each of the loan shall become immediately due and repayable on demand.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance which is crucial to the long term development of the Group and to safeguard the interests of the Company's shareholders. In the opinion of the Board, the Company has complied with all code provisions as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the period under review, except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer shall be separated and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Cheng Chor Kit. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals, with a high independent element in the Board, where the Board members meet regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

## DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code on terms no less exacting than the required standard set out in the Model Code regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2017. The relevant employees who, because of their office in the Group, are likely to be in possession of unpublished inside information have been requested to comply with the provisions of the Model Code.

## DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information of the Directors since the date of the 2017 Annual Report of the Company is set out below:

### (1) Amendment of standard scale of emoluments for independent non-executive Directors

After reviewing the Company's standard scale of emoluments for the independent non-executive Directors as well as accepting the recommendation from the remuneration committee of the Company. The Board approved on 18 July 2017 to increase the remuneration of the independent non-executive Directors with retrospective effect from 1 April 2017, details of which are listed as follows:

Name	Annual remuneration before 1 April 2017	Annual remuneration after 1 April 2017
	HK\$	HK\$
Mr. Wong Chi Wai	200,000	300,000
Dr. Sun Kwai Yu, Vivian	200,000	300,000
Mr. Cheng Kwok Kin, Paul	200,000	300,000
Mr. Cheung Wang Ip	200,000	300,000



## DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51B(1) OF THE LISTING RULES *(continued)*

### (2) Other Major Changes

On 29 June 2017, Mr. Cheng Kwok Kin, Paul, the independent non-executive Director, was appointed as an independent non-executive director of Bank of Shanghai (Hong Kong) Limited, a restricted licence bank in Hong Kong.

Other than that disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial information for the six months ended 30 September 2017.

### BOARD OF DIRECTORS

As at the date of this report, the Board comprises ten Directors, of which six are executive Directors, namely Mr. CHENG Chor Kit, Mr. FUNG Wah Cheong, Vincent, Mr. LIU Tat Luen, Mr. CHENG Tsz To, Mr. CHENG Tsz Hang and Mr. HUI Ka Po, Alex; and four are independent non-executive Directors, namely Mr. WONG Chi Wai, Dr. SUN Kwai Yu, Vivian, Mr. CHENG Kwok Kin, Paul and Mr. CHEUNG Wang Ip.

By order of the Board

**Cheng Chor Kit**

*Chairman and Chief Executive Officer*

Hong Kong, 28 November 2017