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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

HUI Leung Wah (*Chairman*)

POON Sui Hong

HUI Chun Yuen

(appointed on 31 August 2015)

LEUNG Shu Sum

(appointed in 1996 &

resigned on 31 August 2015)

NON-EXECUTIVE DIRECTORS

GRASSINI Andrea

(appointed on 20 April 2015 &

resigned on 7 August 2015)

BONINI Carlo

(appointed on 1 September 2014 &

resigned on 7 August 2015)

INDEPENDENT NON-EXECUTIVE

DIRECTORS

POON Kwok Fai, Ronald

PANG Sung Yuen

KWONG Ping Man

AUDIT COMMITTEE

POON Kwok Fai, Ronald (*Chairman*)

PANG Sung Yuen

KWONG Ping Man

REMUNERATION COMMITTEE

PANG Sung Yuen (*Chairman*)

POON Kwok Fai, Ronald

KWONG Ping Man

NOMINATION COMMITTEE

KWONG Ping Man (*Chairman*)

POON Kwok Fai, Ronald

PANG Sung Yuen

COMPANY SECRETARY

MAK Suk Fan, Sophie

PRINCIPAL BANKERS

Chong Hing Bank Limited

Dah Sing Bank Limited

Hang Seng Bank Limited

AUDITORS

Ernst & Young

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

B2 & B4 8th Floor Block B

Mai Hing Industrial Building

16 –18 Hing Yip Street

Kwun Tong

Kowloon

Hong Kong

WEBSITE

www.elegance-group.com

STOCK CODE

907

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2015, the Group recorded a loss after tax of HK\$37.8 million as compared with a loss of HK\$42.8 million for the same period last year. The Group's sales has decreased by 20.4% to approximately HK\$111.6 million (30 September 2014 restated: HK\$140.2 million) due to weaker buying sentiments of the market as well as our downsized scale of operations. By geographical distribution, compared to corresponding period in 2014, sales to European countries saw a drop of 21.6% which has been a subject of concern raised in our previous annual report. Sales to North America which is our second largest market after Europe also exhibited a 18.0% retreat.

Manufacturing operations in China remained tough and has not eased off. Labour cost was high but production efficiency was low which brought in a double blow to our business. The management has downsized the workforce further and juggled around to trim some expenses but they were not enough. The gross margin ratio (being the ratio of gross loss to revenue) of the operation is still negative (30 September 2015: -0.7% vs 30 September 2014 restated: -0.7%). Operating loss before other operating expenses in the period was also adversely affected by the increase in exchange loss. The short duration of depreciation of the Renminbi currency ("RMB") as seen in August 2015 did not help the Group much.

On 29 July 2015, the Company was notified by Safilo Far East Limited, a wholly owned subsidiary of Safilo Group S.p.A. (collectively "Safilo"), of the disposal of all its 74,599,123 shares held in the Company, representing approximately 23.05% of the total issued share capital of the Company, to two independent parties. After the disposal with effect from 22 September 2015, Safilo ceased to be a substantial shareholder of the Company. The long term shareholder relationship established with Safilo since 1997 was smooth and fruitful for many years and the termination was an amicable one. Although Safilo is no longer a shareholder of the Company, the Company will maintain a good business relationship with Safilo.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECT

The Group's market is not only plagued by the difficulties seen but is also blurred by the uncertainties looming. The European economy which significantly affects the market demand for our products has been weak and unstable. Growth stimulus is nowhere at sight. The uncertainties of when and how the USA will increase the interest rate and its impact on the worldwide economy have puzzled many and naturally leads to indecision and delays buying behaviour. Political unrest in the Middle East and its aftermath on Europe cannot be taken lightly. For these reasons, our forecast of the European market demand of our products for the near future is not positive.

Sharp rise in the labour costs in recent years in China where all our manufacturing activities are based has been hurting. Given the China's 13th five-year plan just announced has vowed to do more to tackle problems, amongst others, in people's quality of life and incomes, the Chinese labour cost is unlikely to drop. If there is any upward income adjustment, the ripple effect of the continuous cost increase in our PRC working environment cannot be underestimated.

Coupled with the factors mentioned above, future RMB movement will be of some concern. Given a significant part of our manufacturing expenses are RMB denominated and sales are concluded in U.S. Dollar ("USD"), we may benefit from a weaker RMB. But with the complexity of the currency subject, barring any unforeseen circumstances, we have no ground to be hopeful about its depreciation at a meaningful scale in the near future. On the other hand, the possible increase of the interest rate in the U.S.A. would keep a strong USD against many other popular currencies including Euro. This will have a negative impact on us as our European customers who sell mainly in Europe pay us in the USD would have a higher exchange cost. All these together could result in more difficult operating environment for the Company.

Our management will continue to improve the internal efficiency by streamlining the operation. We need a higher operating efficiency to offset the effect of increased costs and weak market demand. Our management will also explore means to make better use of our production resources and to increase the sales resources to get more orders. Our management will explore any business opportunities available as well.

To expand on the Company's revenue channel, we are putting in more effort and resources to promote the sales of our own branded products through the internet, though we know brand building will take time to achieve.

Given the details mentioned above, the management is not optimistic about the near future of the market prospect of the Company. The Company will however keep a positive attitude in overcoming the difficulties ahead and to actively prepare for the turnaround in the business environment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2015, the Group's banking facilities amounting to HK\$67,018,000 (31 March 2015: HK\$74,052,000), of which HK\$46,654,000 (31 March 2015: HK\$35,880,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's land and buildings located in Hong Kong with a net carrying amount of HK\$18,456,000 (31 March 2015: HK\$18,749,000) and a corporate guarantee given by the Company in favour of a bank. The Group's bank borrowings at 30 September 2015 and 31 March 2015 were denominated in United States dollars.

During the six months ended 30 September 2015, the Group raised new borrowings of HK\$10,774,000 (six months ended 30 September 2014: HK\$3,900,000). As at 30 September 2015, secured bank borrowings of HK\$46.0 million (31 March 2015: HK\$35.9 million) and import loan of HK\$0.6 million (31 March 2015: Nil) denominated in USD were drawn at effective interest rates ranging from 2.54% to 2.58% and 2.65% per annum respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a balance of cash and cash equivalents of HK\$26.1 million (31 March 2015: HK\$41.0 million). The debt-to-equity ratio (expressed as a percentage of total liabilities over equity of the Company) is approximately 33.0% as at 30 September 2015 (31 March 2015: 24.2%). The Group's equity attributable to owners of the Company as at 30 September 2015 amounted to HK\$318.8 million (31 March 2015: HK\$352.8 million).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong Dollar, RMB and USD. As the Hong Kong Dollar is pegged to the USD, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the exchange rate fluctuation of RMB. As such, a 2-year RMB Forward Contract against USD was entered into for hedging its currency risk in 2014 and it will expire in February 2016. The management will closely monitor foreign exchange exposure and will consider further hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 30 September 2014, the Group had capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment of HK\$5,000. The Group had no capital commitment at 30 September 2015. As at 30 September 2015, the Company had a contingent liability of HK\$67 million (31 March 2015: HK\$74.0 million) in respect of corporate guarantees given to a bank in connection with the general banking facilities granted to one of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2015, the Group employed approximately 1,775 (30 September 2014: 2,300) full time employees in China and Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time. The employee benefits include insurance and medical coverage, training programmes as well as provident fund schemes.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | For the six months ended 30 September | |
|---|-------|--|---|
| | | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 (Restated) |
| | Notes | | |
| REVENUE | 4 | 111,632 | 140,244 |
| Cost of sales | | <u>(112,429)</u> | <u>(141,170)</u> |
| Gross loss | | (797) | (926) |
| Other income | 4 | 850 | 342 |
| Selling and distribution expenses | | (3,091) | (2,326) |
| Administrative expenses | | (34,950) | (30,367) |
| Other operating income/(expense), net | 6 | 757 | (9,505) |
| Finance costs | 5 | (451) | (13) |
| Share of profits and losses of a joint venture | | <u>(82)</u> | <u>64</u> |
| LOSS BEFORE TAX | 6 | (37,764) | (42,731) |
| Income tax expense | 7 | (11) | (73) |
| LOSS FOR THE PERIOD | | <u>(37,775)</u> | <u>(42,804)</u> |
| Attributable to: | | | |
| Owners of the Company | | (36,621) | (41,775) |
| Non-controlling interests | | <u>(1,154)</u> | <u>(1,029)</u> |
| | | <u>(37,775)</u> | <u>(42,804)</u> |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic and diluted | 9 | <u>(11.32) HK cents</u> | <u>(12.91) HK cents</u> |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended
30 September

| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
|--|---------------------------------|---------------------------------|
| LOSS FOR THE PERIOD | (37,775) | (42,804) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Reclassification adjustment for impairment losses of an available-for-sale financial asset included in the statement of profit or loss | – | 250 |
| Share of exchange differences on translation of a joint venture | (16) | 6 |
| Exchange differences on translation of foreign operations | 2,625 | (391) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | 2,609 | (135) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | (35,166) | (42,939) |
| Attributable to: | | |
| Owners of the Company | (34,023) | (41,941) |
| Non-controlling interests | (1,143) | (998) |
| | (35,166) | (42,939) |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|--|------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 162,675 | 173,429 |
| Investment properties | | 120,678 | 120,678 |
| Prepaid land lease payments | | 12,470 | 12,865 |
| Investment in a joint venture | | 4,177 | 4,275 |
| Investment in an associate | | – | – |
| Available-for-sale financial asset | | 320 | 320 |
| | | 300,320 | 311,567 |
| CURRENT ASSETS | | | |
| Inventories | | 50,225 | 49,076 |
| Loan to a joint venture | | – | 219 |
| Trade receivables | 11 | 49,493 | 42,761 |
| Prepayments, deposits and other receivables | | 5,417 | 4,747 |
| Equity investments at fair value through profit or loss | | 70 | 83 |
| Tax recoverable | | 109 | 80 |
| Cash and cash equivalents | | 26,123 | 40,985 |
| | | 131,437 | 137,951 |
| Non-current asset held for sale | 10 | 2,705 | – |
| | | 134,142 | 137,951 |

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION** *(Continued)*

| | Notes | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|---|-------|---|---|
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 26,267 | 18,546 |
| Other payables and accruals | | 23,734 | 21,257 |
| Derivative financial instrument | 13 | 1,023 | 1,866 |
| Interest-bearing bank borrowings, secured | 14 | 46,654 | 35,880 |
| Tax payable | | 1,692 | 1,711 |
| Total current liabilities | | 99,370 | 79,260 |
| NET CURRENT ASSETS | | 34,772 | 58,691 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 335,092 | 370,258 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 8,462 | 8,462 |
| Net assets | | 326,630 | 361,796 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | | 32,365 | 32,365 |
| Reserves | | 286,404 | 320,427 |
| Non-controlling interests | | 318,769 | 352,792 |
| | | 7,861 | 9,004 |
| Total equity | | 326,630 | 361,796 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|-----------------------------------|-----------------------------|---------------------------------------|---|---|--|------------------------------|-------------------|---------------------------------------|--------------------------|
| | Issued capital HK\$'000 | Share premium account HK\$'000 | Capital reserve HK\$'000 | Asset revaluation reserve HK\$'000 | Available-for-sale financial asset revaluation reserves HK\$'000 | Goodwill eliminated against reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 April 2015 | 32,365 | 56,831 | 41,925 | 84,074 | - | (152) | 8,166 | 129,583 | 352,792 | 9,004 | 361,796 |
| Loss for the period | - | - | - | - | - | - | - | (36,621) | (36,621) | (1,154) | (37,775) |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | |
| Share of exchange differences on translation of a joint venture | - | - | - | - | - | - | (16) | - | (16) | - | (16) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | 2,614 | - | 2,614 | 11 | 2,625 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | - | 2,598 | (36,621) | (34,023) | (1,143) | (35,166) |
| At 30 September 2015 (unaudited) | <u>32,365</u> | <u>56,831*</u> | <u>41,925*</u> | <u>84,074*</u> | <u>-*</u> | <u>(152)*</u> | <u>10,764*</u> | <u>92,962*</u> | <u>318,769</u> | <u>7,861</u> | <u>326,630</u> |
| At 1 April 2014 | 32,365 | 56,831 | 41,925 | 9,910 | (250) | (152) | 8,130 | 213,813 | 362,572 | 8,806 | 371,378 |
| Loss for the period | - | - | - | - | - | - | - | (41,775) | (41,775) | (1,029) | (42,804) |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | |
| Reclassification adjustment for impairment losses of an available-for-sale financial asset | - | - | - | - | 250 | - | - | - | 250 | - | 250 |
| Share of exchange differences on translation of a joint venture | - | - | - | - | - | - | 6 | - | 6 | - | 6 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | (422) | - | (422) | 31 | (391) |
| Total comprehensive loss for the period | - | - | - | - | 250 | - | (416) | (41,775) | (41,941) | (998) | (42,939) |
| At 30 September 2014 (unaudited) | <u>32,365</u> | <u>56,831</u> | <u>41,925</u> | <u>9,910</u> | <u>-</u> | <u>(152)</u> | <u>7,714</u> | <u>172,038</u> | <u>320,631</u> | <u>7,808</u> | <u>328,439</u> |

* These reserve accounts comprise the consolidated reserves of HK\$286,404,000 (31 March 2015: HK\$320,427,000) in the unaudited interim condensed consolidated statement of financial position.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended
30 September

| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
|---|---------------------------------|---------------------------------|
| Net cash flows used in operating activities | (24,483) | (18,426) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 210 | 223 |
| Dividend received from equity investments at fair value through profit or loss | 2 | 2 |
| Purchases of items of property, plant and equipment | (2,367) | (7,247) |
| Proceeds from disposal of items of property, plant and equipment | – | 85 |
| Deposits received for disposal of non-current asset held for sale | 1,080 | – |
| Repayment of loan received from a joint venture | 219 | 277 |
| Net cash flows used in investing activities | (856) | (6,660) |
| CASH FLOWS FROM A FINANCING ACTIVITY | | |
| New bank loan and net cash flows from a financing activity | 10,774 | 3,900 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (14,565) | (21,186) |
| Cash and cash equivalents at beginning of period | 40,985 | 42,342 |
| Effect of foreign exchange rate changes, net | (297) | 98 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 26,123 | 21,254 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 26,123 | 14,289 |
| Non-pledged time deposits with original maturity of less than three months when acquired | – | 6,965 |
| | 26,123 | 21,254 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

The unaudited interim condensed consolidated financial statements of Elegance Optical International Holdings Limited and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015 were authorised for issue in accordance with a resolution of the directors on 25 November 2015.

Elegance Optical International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the period, the Company was engaged in investment holding and the Group was engaged in the manufacture and trading of optical frames and sunglasses and property investment.

2.1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2015, except for the adoption of certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period as described in note 2.2 below.

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the unaudited interim condensed consolidated financial statements of the current period.

| | |
|---|--|
| Amendments to HKAS 19 <i>Annual Improvements 2010-2012 Cycle</i> | <i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs |
| <i>Annual Improvements 2011-2013 Cycle</i> | Amendments to a number of HKFRSs |

The adoption of the revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION

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

- (a) the manufacturing and trading segment engaged in manufacture and trading of optical frames and sunglasses; and
- (b) the property investment segment engaged in leasing of properties for rental income.

In the previous period, the Group had one reportable segment which is the manufacturing and trading of optical frames and sunglasses. As a result of an increasing amount of rental income received by the Group during the year ended 31 March 2015, the Group has reassessed the operating performance which resulted in one new operating segment. Prior period comparative segment information was restated accordingly. The comparative segment information on segment assets and liabilities was restated to incorporate the changes in the presentation of operating segments disclosure in accordance with HKAS 1 *Presentation of Financial Statements*.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, dividend income from an available-for-sale financial asset, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable, cash and cash equivalents, equity investments at fair value through profit or loss, available-for-sale financial asset, investments in/loan to a joint venture and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

| | Manufacturing and trading HK\$'000 | Property investment HK\$'000 | Total HK\$'000 |
|---|--|------------------------------------|-------------------|
| Six months ended 30 September 2015 | | | |
| (unaudited) | | | |
| Segment revenue: | | | |
| Revenue from external customers | <u>109,452</u> | <u>2,180</u> | <u>111,632</u> |
| Segment results | (40,470) | 2,115 | (38,355) |
| <i>Reconciliation:</i> | | | |
| Bank interest income | | | 210 |
| Dividend income and unallocated gains | | | 845 |
| Corporate and other unallocated expenses | | | (13) |
| Finance costs | | | (451) |
| Loss before tax | | | <u>(37,764)</u> |
| At 30 September 2015 (unaudited) | | | |
| Segment assets | 282,985 | 120,678 | 403,663 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated assets | | | 30,799 |
| Total assets | | | <u>434,462</u> |
| Segment liabilities | 49,686 | 315 | 50,001 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated liabilities | | | 57,831 |
| Total liabilities | | | <u>107,832</u> |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

| | Manufacturing and trading HK\$'000 (Restated) | Property investment HK\$'000 (Restated) | Total HK\$'000 (Restated) |
|---|--|--|---------------------------------|
| Six months ended 30 September 2014 | | | |
| (unaudited) | | | |
| Segment revenue: | | | |
| Revenue from external customers | 139,757 | 487 | 140,244 |
| Segment results | (43,588) | 374 | (43,214) |
| <i>Reconciliation:</i> | | | |
| Bank interest income | | | 223 |
| Dividend income and unallocated gains | | | 273 |
| Finance costs | | | (13) |
| Loss before tax | | | (42,731) |
| At 31 March 2015 (audited) | | | |
| Segment assets | 282,878 | 120,678 | 403,556 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated assets | | | 45,962 |
| Total assets | | | 449,518 |
| Segment liabilities | 39,421 | 382 | 39,803 |
| <i>Reconciliation:</i> | | | |
| Corporate and other unallocated liabilities | | | 47,919 |
| Total liabilities | | | 87,722 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

| | For the six months ended 30 September | |
|---|--|---|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 (Restated) |
| Europe | 57,582 | 73,421 |
| North America | 42,183 | 51,455 |
| The People's Republic of China (the "PRC") (including Hong Kong) | 7,297 | 8,856 |
| Other Asian countries | 3,218 | 5,036 |
| Oceania | – | 46 |
| Others | 1,352 | 1,430 |
| | 111,632 | 140,244 |

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents rental income from leasees located in the PRC (including Hong Kong) and the sales of eyewear products to agents located in Hong Kong, but also includes sales made to local retailers. The Directors believe that the agents in Hong Kong export most of the Group's products to Europe, North America and South America.

(b) Non-current assets

All significant operating assets of the Group are located in the PRC. Accordingly, no geographical information of segment assets is presented.

Information about major customers

Revenue of approximately HK\$17,953,000 (six months ended 30 September 2014: HK\$30,282,000) and HK\$20,760,000 (six months ended 30 September 2014: HK\$12,550,000) was derived from sales to two separate customers, including sales to groups of entities which are known to be under common control with those customers.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and gross rental income.

An analysis of the Group's revenue and other income is as follows:

| | For the six months ended 30 September | |
|---|--|---|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 (Restated) |
| Revenue | | |
| Sales of goods | 109,452 | 139,757 |
| Rental income | 2,180 | 487 |
| | <u>111,632</u> | <u>140,244</u> |
| Other income | | |
| Sales of scrap materials | 185 | 57 |
| Bank interest income | 210 | 223 |
| Dividend income from equity investments at fair value through profit or loss | 2 | 2 |
| Others | 453 | 60 |
| | <u>850</u> | <u>342</u> |

As further explained in note 3 to the unaudited interim condensed consolidated financial statements, rental income of HK\$487,000 for the six months ended 30 September 2014 was reclassified from other income to revenue as property investment was considered by management to be a principal activity of the Group during the year ended 31 March 2015.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. FINANCE COSTS

| | For the six months ended 30 September | |
|---------------------------------------|--|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Interest on bank loans and overdrafts | 451 | 13 |

6. LOSS BEFORE TAX

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

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Cost of inventories sold* | 112,180 | 140,125 |
| Depreciation | 9,255 | 12,603 |
| Amortisation of prepaid land lease payments | 191 | 210 |
| Minimum lease payments under operating leases in respect of land and buildings | 1,329 | 984 |
| Employee benefits expense (including directors' remunerations): | | |
| Wages and salaries | 62,259 | 75,396 |
| Pension scheme contributions** | 633 | 662 |
| | 62,892 | 76,058 |
| Gross rental income | (2,180) | (487) |
| Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties) | 65 | 113 |
| Net rental income | (2,115) | (374) |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. LOSS BEFORE TAX (Continued)

| | For the six months ended 30 September | |
|---|--|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Provision for inventory obsolescence* | 249 | 1,045 |
| Foreign exchange differences, net | 5,987 | (1,287) |
| Other operating expenses/(income), net: | | |
| Gain on disposal of items of property, plant and equipment | – | (49) |
| Impairment of trade receivables | 73 | 9,575 |
| Fair value losses/(gains), net: | | |
| Equity investments at fair value through profit or loss – held for trading | 13 | (17) |
| Derivative financial instruments | (843) | (254) |
| Impairment of an available-for-sale financial asset | – | 250 |
| | (757) | 9,505 |

* Included in “cost of sales” on the face of the unaudited interim condensed consolidated statement of profit or loss.

** At the end of the reporting period, the Group had no forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years (six months ended 30 September 2014: Nil).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. INCOME TAX

| | For the six months ended 30 September | |
|---|--|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Current – Elsewhere – Charge for the period | <u>11</u> | <u>73</u> |

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 September 2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. INTERIM DIVIDEND

The board of directors (the “Board”) does not recommend payment of any interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$36,621,000 (six months ended 30 September 2014: HK\$41,775,000) and 323,649,123 (six months ended 30 September 2014: 323,649,123) shares in issue during the period.

No adjustment has been made to the basic loss per share attributable to ordinary equity holders of the Company presented for the six months ended 30 September 2015 and 2014 in respect of a dilution as there were no dilutive potential ordinary shares in issue during those periods.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. PROPERTY, PLANT AND EQUIPMENT AND NON-CURRENT ASSET HELD FOR SALE

For the six months ended 30 September 2015, the Group acquired assets with an aggregate cost of HK\$2,367,000 (six months ended 30 September 2014: HK\$7,247,000).

Assets with net carrying amounts of HK\$36,000 were disposed of by the Group during the six months ended 30 September 2014, resulting in a net loss on disposal of HK\$49,000. There are no disposals of property, plant and equipment during the period.

One of the Group's properties with a net carrying amount of HK\$2,705,000 (31 March 2015: Nil) was presented as a non-current asset held for sales under current assets in the condensed consolidated statement of financial position as the Group entered into a provisional sale and purchase agreement on 17 August 2015 to dispose of the property. In the opinion of the directors of the Company, the disposal was expected to be completed within 12 months from the end of the reporting period.

11. TRADE RECEIVABLES

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|-------------------|---|---|
| Trade receivables | 49,675 | 53,589 |
| Impairment | (182) | (10,828) |
| | 49,493 | 42,761 |

Credit is offered to customers following a financial assessment by the Group with regard to their established payment records. The Group usually allows average credit periods ranging from 45 to 120 days (31 March 2015: 45 to 120 days) to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. TRADE RECEIVABLES (Continued)

An aged analysis of trade receivables as at 30 September 2015 and 31 March 2015, based on the payment due date and net of impairment of trade receivables, is as follows:

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|--------------------|---|---|
| Current to 90 days | 48,265 | 41,814 |
| 91 – 180 days | 381 | 178 |
| 181 – 360 days | 847 | 769 |
| | 49,493 | 42,761 |

12. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2015 and 31 March 2015:

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|--------------------|---|---|
| Current to 90 days | 25,269 | 17,669 |
| 91 – 180 days | 655 | 570 |
| 181 – 360 days | 192 | 86 |
| Over 360 days | 151 | 221 |
| Total | 26,267 | 18,546 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. DERIVATIVE FINANCIAL INSTRUMENT

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|------------------------------------|---|---|
| Forward currency contract- current | 1,023 | 1,866 |

The Group has entered into a forward currency contract to manage its exchange rate exposures. This forward currency contract is not designated for hedge purposes and is measured at fair value through profit or loss. Fair value gain of a non-hedging currency derivative amounting to HK\$843,000 was credited to profit or loss during the period (six months ended 30 September 2014: HK\$254,000).

The total notional principal amount of the outstanding forward currency contract as at 30 September 2015 was HK\$19,400,000 (31 March 2015: HK\$42,900,000).

14. INTEREST-BEARING BANK BORROWINGS

| | At 30 September 2015 | | | At 31 March 2015 | | |
|------------------------------|-----------------------------------|----------|---------------|-----------------------------------|----------|---------------|
| | Effective interest rate (%) | Maturity | HK\$'000 | Effective interest rate (%) | Maturity | HK\$'000 |
| Current | | | | | | |
| Bank loans – secured | 2.54 – 2.58 | 2015 | 46,020 | 2.40 – 2.42 | 2015 | 35,880 |
| Import loan – secured | 2.65 | 2015 | 634 | N/A | N/A | – |
| | | | 46,654 | | | 35,880 |
| Analysed into: | | | | | | |
| Bank borrowings repayable | | | | | | |
| within one year or on demand | | | 46,654 | | | 35,880 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. INTEREST-BEARING BANK BORROWINGS (Continued)

The Group's banking facilities amounting to HK\$67,018,000 (31 March 2015: HK\$74,052,000), of which HK\$46,654,000 (31 March 2015: HK\$35,880,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's land and buildings located in Hong Kong with a net carrying amount of HK\$18,456,000 (31 March 2015: HK\$18,749,000) and a corporate guarantee given by the Company in favour of a bank. The Group's bank borrowings at 30 September 2015 and 31 March 2015 were denominated in United States dollars.

During the six months ended 30 September 2015, the Group raised new borrowings of HK\$10,774,000 (six months ended 30 September 2014: HK\$3,900,000).

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its office premises, factories and staff quarters under operating lease arrangements, with the lease negotiated for a term of not more than three years. The terms of the lease also require the tenant to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At 30 September 2015, the Group had total future minimum lease receivables under non- cancellable operating leases with its tenants falling due as follows:

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|---|---|---|
| Within one year | 4,252 | 4,383 |
| In the second to fifth years, inclusive | 4,835 | 7,082 |
| | 9,087 | 11,465 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to fifty years.

At 30 September 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|---|---|---|
| Within one year | 1,834 | 1,921 |
| In the second to fifth years, inclusive | 4,320 | 4,816 |
| After five years | 47,237 | 48,899 |
| | 53,391 | 55,636 |

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following capital commitments at the end of the reporting period:

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|--|---|---|
| Contracted, but not provided for: Equipment and machinery | - | 5 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Transactions with a substantial shareholder: | | |
| Sales of goods to the group of Safilo Group S.p.A.* | 17,953 | 30,282 |
| Sales of goods to a joint venture | – | 30 |
| Rental expenses paid to a director | 222 | 222 |
| | <u> </u> | <u> </u> |

(b) Outstanding balances with related parties

| | 30 September 2015 (Unaudited) HK\$'000 | 31 March 2015 (Audited) HK\$'000 |
|---|---|---|
| Amount due from a substantial shareholder: | | |
| Trade receivables from the group of Safilo Group S.p.A.* | N/A | 15,996 |
| Loans to a joint venture | 3,540 | 3,759 |
| Trade receivables from a joint venture | 14 | 2 |
| | <u> </u> | <u> </u> |

* As further detailed in the Company's announcement dated 29 July 2015, the Group's substantial shareholder entered into a share purchase agreement with two independent third parties for the transfer (the "Disposal") of 74,599,123 shares, representing 23.05% equity interests of the Company. The Disposal was completed on 22 September 2015. Upon completion of the Disposal, Safilo Group S.p.A. ceased to be a substantial shareholder of the Group.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group

| | For the six months ended 30 September | |
|------------------------------|--|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Short term employee benefits | <u>3,192</u> | <u>2,923</u> |

** The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, loans to a joint venture, trade receivables, financial assets included in deposits and other receivables, trade payables, interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the financial controller. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments and an unlisted available-for-sale financial asset are based on quoted market prices.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group enters into a derivative financial instrument with a financial institution. Derivative financial instrument, including forward currency contract is measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and foreign exchange spot and forward rates. The carrying amount of the forward currency contract is the same as its fair value.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 September 2015 (unaudited)

| | Fair value measurement using | | | Total HK\$'000 |
|--|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Available-for-sale financial asset: | | | | |
| Club debenture | 320 | – | – | 320 |
| Equity investments at fair value through profit or loss | 70 | – | – | 70 |
| | <u>390</u> | <u>–</u> | <u>–</u> | <u>390</u> |

As at 31 March 2015 (audited)

| | Fair value measurement using | | | Total HK\$'000 |
|--|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Available-for-sale financial asset: | | | | |
| Club debenture | 320 | – | – | 320 |
| Equity investments at fair value through profit or loss | 83 | – | – | 83 |
| | <u>403</u> | <u>–</u> | <u>–</u> | <u>403</u> |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Liabilities measured at fair value:

As at 30 September 2015 (unaudited)

| | Fair value measurement using | | | Total HK\$'000 |
|---------------------------------|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Derivative financial instrument | – | 1,023 | – | 1,023 |

As at 31 March 2015 (audited)

| | Fair value measurement using | | | Total HK\$'000 |
|---------------------------------|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| Derivative financial instrument | – | 1,866 | – | 1,866 |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2015: Nil).

19. COMPARATIVE AMOUNTS

As further explained in notes 3 and 4 to the unaudited interim condensed consolidated financial statements, rental income of HK\$487,000 for the six months ended 30 September 2014 was reclassified from other income to revenue as property investment was considered by management to be a principal activity of the Group during the year ended 31 March 2015.

20. EVENT AFTER THE REPORTING PERIOD

On 15 October 2015, the property classified as non-current asset held for sale with a carrying amount of HK\$2,705,000 as at 30 September 2015 was disposed of to an independent third party at a consideration of HK\$10,800,000, and resulted in a gain on disposal of HK\$8,095,000, which was not accounted for in the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2015.

21. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 November 2015.

SUPPLEMENTARY INFORMATION

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

At 30 September 2015, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long position in ordinary shares of the Company:

| Name of director | Number of shares held, capacity and nature of interest | | Total | Percentage of the issued share capital of the Company |
|----------------------|--|--------------------|--------------------|--|
| | Beneficial owner | Other interests | | |
| Hui Leung Wah (Note) | 12,308,000 | 141,316,000 | 153,624,000 | 47.47 |
| Poon Sui Hong | 8,000,000 | – | 8,000,000 | 2.47 |
| | <u>20,308,000</u> | <u>141,316,000</u> | <u>161,624,000</u> | <u>49.94</u> |

Note: The 141,316,000 shares held as other interests by Mr. Hui comprised 141,116,000 shares held by Best Quality Limited and 200,000 shares held by Deluxe Concept Limited. The entire issued share capital of both Best Quality Limited and Deluxe Concept Limited is held by Wahyee (PTC) Limited as trustee for a unit trust, which, in turn, is beneficially owned by Docater Trust, a discretionary trust with LGT Trustees Limited as trustee, the beneficiaries of which include the spouse and children of Mr. Hui Leung Wah (Mr. Hui himself is not a beneficiary of the discretionary trust).

SUPPLEMENTARY INFORMATION *(Continued)*

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

Long position in ordinary shares of the subsidiaries:

Mr. Hui Leung Wah is beneficially interested in 200,000 non-voting deferred shares in the capital of Elegance Optical Investments Limited. The rights and restrictions of these non-voting deferred shares are disclosed in the audited financial statements of the Company for the year ended 31 March 2015.

In addition to the above, certain directors of the Company have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2015, none of the directors or chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures under the section "share option scheme", at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either directly or indirectly, 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 period.

SUPPLEMENTARY INFORMATION *(Continued)*

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

At 30 September 2015, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interest required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

| Name | Number of issued ordinary shares held | Capacity and nature of interest | Percentage of issued share capital of the Company |
|--------------------------------------|---------------------------------------|---------------------------------|---|
| Poon Yuk Yee <i>(Note 1)</i> | 153,624,000 | Beneficiary of a trust | 47.47 |
| LGT Trustees Limited <i>(Note 2)</i> | 141,316,000 | Trustee | 43.66 |
| Wahyee (PTC) Limited <i>(Note 2)</i> | 141,316,000 | Trustee | 43.66 |

Notes:

- Ms. Poon Yuk Yee is the spouse of Mr. Hui Leung Wah, she is deemed to be interested in the shares held by and shares taken to be interested by Mr. Hui Leung Wah for the purposes of Divisions 2 and 3 of Part XV of the SFO.
- Details are stated in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".

Save as disclosed above, as at 30 September 2015, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 16 May 2003 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No options have been granted since the adoption of the Scheme. The Scheme expired on 15 May 2013. The Company has not adopted any new share option scheme thereafter.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2015.

SUPPLEMENTARY INFORMATION *(Continued)*

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

1. Mr. Leung Shu Sum was appointed as an Executive Director in 1996 and resigned on 31 August 2015.
2. Mr. Hui Chun Yuen was appointed as an Executive Director on 31 August 2015.
3. Mr. Andrew Grassini was appointed as a Non-Executive Director on 20 April 2015 and resigned on 7 August 2015.
4. Mr. Carlo Bonini was appointed as a Non-Executive Director on 1 September 2014 and resigned on 7 August 2015.

CORPORATE GOVERNANCE

During the six months ended 30 September 2015, the Company has adopted and complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the following deviation:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title "chief executive" under the Board. Mr. Hui Leung Wah assumes the role of both Chairman and Managing Director of the Company and he is in charge of the overall management of the Company. The Company does not have a separate Chairman and Managing Director as Mr. Hui currently holds both positions. The Board believes that the assumption of the roles of Chairman and Managing Director can, as far as the Group is concerned, promote the efficient formulation and implementation of the strategies of the Company, which will enable the Group to capture business opportunities efficiently and promptly. The Board also believes that through the supervision of its Board and its Independent Non-Executive Directors, a balancing mechanism is in place and operating so that the interests of the shareholders are adequately and fairly represented.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee in June 2005. The duties of the remuneration committee as set out in its terms of references include making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company. It is also mandated to make recommendations to the Board on the remuneration of the Independent Non-Executive Directors and on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee comprises three Independent Non-Executive Directors.

SUPPLEMENTARY INFORMATION *(Continued)*

AUDIT COMMITTEE

The Audit Committee has been established since 1999 and currently consists of three Independent Non-Executive Directors, namely, Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man. The main duties of the Audit Committee include the review of the relationship with external auditors of the Company, review of the Group's financial information, oversight of the Group's financial reporting system and internal control procedures and performance of the corporate governance functions delegated by the Board.

NOMINATION COMMITTEE

The Company has also set up a nomination committee in June 2005 to review the structure, size, composition and board diversity policy of the Board. The duties of the nomination committee as set out in its terms of references include selection or making recommendations to the Board on the selection of individuals nominated for directorships and on relevant matters relating to the appointment or re-appointment of Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conducts ("Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company has received confirmations from all of them that they have complied with the required standard set out in the Model Code and the Company's Code of Conduct throughout the period under review.

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2015 has been reviewed by the Audit Committee of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group.

APPRECIATION

The Board would like to take this opportunity to express its deepest gratitude to all members of the staff of the Group for their contributions, support and dedication. The Board would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuous support.

On behalf of the Board
Hui Leung Wah
Chairman

Hong Kong, 25 November 2015