



Elegance Optical
International Holdings Limited

高雅光學國際集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 907

Interim Report 2016/2017



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

HUI Leung Wah (*Chairman*)

POON Sui Hong

HUI Chun Yuen

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

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 2016, the Group recorded a loss after tax of HK\$14.5 million as compared with a loss of HK\$37.8 million for the same period last year. Within this period, a profit of HK\$21.0 million was booked as a result of the disposal of Jet Kingdom Machinery Technology Company Limited, a then wholly-owned subsidiary of the Company. If this item had not been booked, the loss for the Group would amount to HK\$35.6 million, representing a decrease of approximately 5.82% when compared to the loss recorded by the Group in the same period last year.

The sales of the Group for the period was HK\$88.7 million which is HK\$22.9 million fewer than the sales of HK\$111.6 million recorded in the same period last year. The sales reduction is around 20.5%.

By geographical breakdown, Europe contributes the largest share of the total sales, being 46.7%. American market comes second and contributes 43.7% of the sales of the Group. Compared to the same period of last year, we saw sales to all geographical regions declined but by various degrees. In Europe, the sales was lowered by 28.1%. In America, the sales declined by 8.0%. The most disturbing factor is that the poor buying appetite of our customers continues, both in Europe and in America. We believe this phenomenon correlates to the poor economies of various regions in the world and the predominant need of the customers to buy at lower costs.

During the period, the Group has focused on cutting costs and raising production efficiency through work reorganization. The gross profit was improved though we still need to work harder to give it a greater push. As the Group has to rationalize the labour force set up, the spending on the one-off redundancy payment in the period was high.

In order to make better use of the fund locked up in the investment made in the past, on 14 October 2016, the Group has conditionally agreed to sell to a company wholly-owned by Mr. Hui Leung Wah (the Chairman of the Board, an executive director and a substantial shareholder of the Company) the entire issued share capital in Million Wave Limited (an indirect wholly-owned subsidiary of the Company) and the intra-group accounts payable due and owing from Million Wave Limited to the Group. On the same day, as a condition precedent to the completion of the disposal of Million Wave Limited, the Group entered into a conditional leaseback arrangement in relation to certain properties owned by Million Wave Limited to ensure that there will be no disruption to the Group's production operations after the disposal of Million Wave Limited. For details of the aforesaid possible disposal and leaseback arrangement, please refer to the announcement of the Company dated 14 October 2016. Amongst other things, the aforesaid transactions will be subject to the approval of the independent shareholders of the Company at a special general meeting to be held. A circular containing further details of the transactions as well as the notice of the special general meeting will be despatched to the shareholders of the Company in due course.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROSPECT

Being part of the fashion accessories, the market demand of optical frames and sunglasses products are highly affected by the strength of an economy. The dimmed state of the European and Chinese economies, the Brexit event, the possible U.S. interest rate upward movement, the development after the U.S. presidential election and the competition within the industry are all working together to raise the uncertainty in the market. Looming over these elements, the management cannot be optimistic on the near future market demand of our products.

Every cloud has a silver lining. With the redundancy clean up exercise took place within our system, the manufacturing organization of the Group becomes leaner and healthier. The strong United States dollar (“USD”) and the weakened Renminbi (“RMB”) give a greater breathing space to a set up like Elegance who earns only the USD but has to pay most of the manufacturing costs in RMB.

Streamlining the production facilities further is one of the current priorities of the Group, on top of our effort to boost sales. It will help rebuilding our competitiveness as well as saving some of our costs. The market is looking for responsive suppliers and with a leaner organization, the more efficient Group should be able to answer better to the call of the market.

If the aforesaid disposal of Million Wave Limited and the leaseback arrangement are to happen, the management anticipates that there will be no major change to the Group’s principal business activities except that the rental income segment will be substantially shrunk. The industrial properties in Shenzhen which are the subjects of the sale and leaseback arrangement have been used by the Group as one of the production bases which accounts for 58% of the Group’s output. The other production base operated by the Group is located in Dongguan which accounts for the remaining 42% of the Group’s output. With the leaseback arrangement for some of these Shenzhen properties in place, the Group’s production operations will not be interrupted and business will be carried out as usual. However, the leaseback arrangement will increase the monthly cash flow need of the Group since the current rental income arising from these Shenzhen properties will be gone and the Group has to pay for the monthly rental to use the subject properties. But the financial strength of the Group will be much stronger as the previous investment can be realized at today’s market value and the management can then concentrate on growing the business without worrying about the financing.

In the immediate time to come, the Group will remain concentrating on manufacturing and trading of optical frames and sunglasses as well as the retailing and internet sales of products bearing our own brand which are designed and produced by the Group.

Preliminary results of our effort spent on strengthening our operation in the last few months have been seen. The Group has resumed achieving positive gross profit. The management will continue with the objective of regaining profitability and will work further to bring in the desirable financial results for the good of the Company as well as its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2016, the Group's banking facilities amounted to HK\$60,000,000 (31 March 2016: HK\$60,000,000), of which HK\$35,729,000 (31 March 2016: HK\$45,265,000) 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 carrying amount and market value of approximately HK\$17,870,000 and approximately HK\$75,100,000 respectively (31 March 2016: HK\$18,163,100 and HK\$75,100,000) and a corporate guarantee given by the Company in favour of banks. The Group's bank borrowings as at 30 September 2016 and 31 March 2016 were denominated in USD and HKD.

As at 30 September 2016, the Group had secured bank term loans of HK\$34,320,000 (31 March 2016: HK\$42,120,000) denominated in USD and secured import loans of HK\$1,409,000 (31 March 2016: HK\$3,145,000) denominated HKD. They were drawn at average interest rates 2.83% and 2.82% respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a balance of cash and cash equivalents of HK\$19.0 million (31 March 2016: HK\$45.0 million). The debt-to-equity ratio (expressed as a percentage of total non-current liabilities over equity attributable to the owners of the Company) is approximately 3.2% as at 30 September 2016 (31 March 2016: 3.0%). The Group's equity attributable to owners of the Company as at 30 September 2016 amounted to HK\$243.3 million (31 March 2016: HK\$262.6 million).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in HKD, RMB and USD. As HKD is pegged to USD, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impact caused by the exchange rate fluctuation of RMB. 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 2016, the Group had no capital commitment, which was contracted but not provided for, in respect of acquisition of property, plant and equipment (30 September 2015: Nil). As at 30 September 2016, the Company had a contingent liability of HK\$49.5 million (31 March 2016: HK\$53.4 million) in respect of corporate guarantees given to banks in connection with the general banking facilities granted to one of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group employed approximately 1,205 (30 September 2015: 1,775) 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

	Notes	For the six months ended	
		30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4	88,701	111,632
Cost of sales		(80,615)	(112,429)
Gross profit/(loss)		8,086	(797)
Other income	4	2,154	850
Selling and distribution expenses		(2,668)	(3,091)
Administrative expenses		(41,463)	(34,950)
Other operating income/(expense), net	6	20,447	757
Finance costs	5	(609)	(451)
Share of profits and losses of a joint venture		(173)	(82)
LOSS BEFORE TAX	6	(14,226)	(37,764)
Income tax expense	7	(323)	(11)
LOSS FOR THE PERIOD		(14,549)	(37,775)
Attributable to:			
Owners of the parent		(14,958)	(36,621)
Non-controlling interests		409	(1,154)
		(14,549)	(37,775)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	(4.62) HK cents	(11.32) HK cents

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME**

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(14,549)</u>	<u>(37,775)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of exchange differences on translation of a joint venture	(20)	(16)
Exchange differences on translation of foreign operations	(2,035)	2,625
Release of exchange fluctuation reserve upon disposal of a subsidiary	<u>(3,048)</u>	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(5,103)</u>	2,609
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(19,652)</u>	<u>(35,166)</u>
Attributable to:		
Owners of the parent	(19,357)	(34,023)
Non-controlling interests	<u>(295)</u>	<u>(1,143)</u>
	<u>(19,652)</u>	<u>(35,166)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	134,720	144,666
Investment properties		96,763	96,763
Prepaid land lease payments		8,053	8,327
Investment in a joint venture		3,989	4,181
Available-for-sale financial asset		360	360
Prepayment and deposit		–	511
		<u>243,885</u>	<u>254,808</u>
CURRENT ASSETS			
Inventories		21,314	27,987
Due from a joint venture		–	97
Trade receivables	11	34,439	36,942
Prepayments, deposits and other receivables		34,388	4,694
Equity investments at fair value through profit or loss		84	88
Cash and cash equivalents		19,038	44,965
		<u>109,263</u>	<u>114,773</u>
Non-current asset classified as held for sale		–	10,385
		<u>109,263</u>	<u>125,158</u>

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

	Notes	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	12	12,307	13,159
Other payables, accruals and deposits received	13	48,343	45,374
Interest-bearing bank borrowings, secured	14	35,729	45,265
Tax payable		1,507	1,232
Total current liabilities		<u>97,886</u>	<u>105,030</u>
NET CURRENT ASSETS		<u>11,377</u>	<u>20,128</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>255,262</u>	<u>274,936</u>
NON-CURRENT LIABILITIES			
Deposit received	13	1,350	1,372
Deferred tax liabilities		6,423	6,423
Total non-current liabilities		<u>7,773</u>	<u>7,795</u>
Net assets		<u>247,489</u>	<u>267,141</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		32,365	32,365
Reserves		210,910	230,267
		<u>243,275</u>	<u>262,632</u>
Non-controlling interests		<u>4,214</u>	<u>4,509</u>
Total equity		<u>247,489</u>	<u>267,141</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to owners of the parent										
	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 2016	32,365	56,831	41,925	84,074	40	(152)	4,695	42,854	262,632	4,509	267,141
Loss for the period	-	-	-	-	-	-	-	(14,958)	(14,958)	409	(14,549)
Other comprehensive income/(loss) for the period:											
Share of exchange differences on translation of a joint venture	-	-	-	-	-	-	(20)	-	(20)	-	(20)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,331)	-	(1,331)	(704)	(2,035)
Release of exchange fluctuation reserve upon disposal of a subsidiary	-	-	-	-	-	-	(3,048)	-	(3,048)	-	(3,048)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(4,399)	(14,958)	(19,357)	(295)	(19,652)
At 30 September 2016 (unaudited)	<u>32,365</u>	<u>56,831*</u>	<u>41,925*</u>	<u>84,074*</u>	<u>40*</u>	<u>(152)*</u>	<u>296*</u>	<u>27,896*</u>	<u>243,275</u>	<u>4,214</u>	<u>247,489</u>
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>

* These reserve accounts comprise the consolidated reserves of HK\$210,910,000 (31 March 2016: HK\$230,267,000) in the unaudited interim condensed consolidated statement of financial position.

The assets revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows used in operating activities	(15,870)	(24,483)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	256	210
Dividend received from equity investments at fair value through profit or loss	3	2
Purchases of items of property, plant and equipment	(743)	(2,367)
Proceeds from disposal of items of property, plant and equipment	28	–
Deposits received for disposal of non-current asset held for sale	–	1,080
Repayment of loan received from a joint venture	–	219
Net cash flows used in investing activities	(456)	(856)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	3,319	10,774
Repayment of bank loans	(12,855)	–
Net cash flows from/(used in) financing activities	(9,536)	10,774
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,862)	(14,565)
Cash and cash equivalents at beginning of period	44,965	40,985
Effect of foreign exchange rate changes, net	(65)	(297)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19,038	26,123
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	19,038	26,123

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

I. 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 2016 were authorised for issue in accordance with a resolution of the directors on 23 November 2016.

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 2016 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 2016, 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.

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, except for the investment properties, an available-for-sale financial asset and equity investments at fair value through profit or loss, which have been measured at fair value and non-current assets held for sale, which have been stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

The Group recorded a consolidated net loss of HK\$14,549,000 and net cash outflows from operating activities of HK\$15,870,000 for the period. As at 30 September 2016, the Group had cash and cash equivalents of HK\$19,038,000, and outstanding interest-bearing bank borrowings of HK\$35,729,000 which were due for repayment or renewal within the next twelve months after 30 September 2016.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2.1 ACCOUNTING POLICIES AND BASIS OF PREPARATION *(Continued)*

BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

The directors consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis after taking into consideration the following:

- (i) the Group had unutilised bank facilities of HK\$24,271,000 as at 30 September 2016 expiring within one year from the end of the reporting period which enable the Group to obtain additional borrowings from the bank. The directors of the Company are of the opinion that the bank is willing to renew the facilities upon expiry. Up to the reporting date, the bank agreed to provide the Group's existing bank facilities of HK\$60 million;
- (ii) the Group had interest-bearing bank borrowings of HK\$35,729,000 as at 30 September 2016. Although the bank borrowings will expire within one year, the Group will actively negotiate with the bank for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the directors, the Group will be able to roll over or refinance the bank borrowings upon their maturity;
- (iii) management has been endeavoring to improve the Group's operating results and cash flows through various tightened cost control measures and seek new investment and business opportunities to improve the Group's profitability and cash flows; and
- (iv) the Group had properties including land and buildings situated in Hong Kong and the PRC and investment properties as at 30 September 2016 that are available for the Group as security for further borrowings or to realise an amount of cash sufficient for financing its working capital.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect to these adjustments has not been reflected in the consolidated financial statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Presentation of financial statements: Disclosure initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012–2014 Cycle	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.

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.

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, gain on disposal of a subsidiary, 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 cash and cash equivalents, equity investments at fair value through profit or loss, available-for-sale financial asset, investments in and balances with a joint venture and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

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.

	Manufacturing and trading HK\$'000	Property investment HK\$'000	Total HK\$'000
Six months ended			
30 September 2016 (unaudited)			
Segment revenue:			
Revenue from external customers	<u>85,377</u>	<u>3,324</u>	<u>88,701</u>
Segment results	(37,943)	3,041	(34,902)
Bank interest income			256
Dividend income			3
Unallocated gains			21,030
Corporate and other unallocated expenses			(4)
Finance costs			<u>(609)</u>
Loss before tax			<u>(14,226)</u>
At 30 September 2016 (unaudited)			
Segment assets	232,914	96,763	329,677
Corporate and other unallocated assets			<u>23,471</u>
Total assets			<u>353,148</u>
Segment liabilities	58,643	3,357	62,000
Corporate and other unallocated liabilities			<u>43,659</u>
Total liabilities			<u>105,659</u>

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	109,452	2,180	111,632
Segment results	(40,470)	2,115	(38,355)
Bank interest income			210
Dividend income			2
Unallocated gains			843
Corporate and other unallocated expenses			(13)
Finance costs			(451)
Loss before tax			(37,764)
At 31 March 2016 (audited)			
Segment assets	234,003	96,763	330,766
Corporate and other unallocated assets			49,200
Total assets			379,966
Segment liabilities	59,393	512	59,905
Corporate and other unallocated liabilities			52,920
Total liabilities			112,825

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	41,389	57,582
America (note)	38,799	42,183
The People's Republic of China (the "PRC") (including Hong Kong)	5,592	8,017
Other Asian countries	2,921	3,218
Others	—	632
	<u>88,701</u>	<u>111,632</u>

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents rental income from leases 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 and America.

Note: For the year ended 31 March 2016, the management of the Group decided to evaluate the Group's revenue from customers located in North America and South America as a whole. As such, the comparative figures in the period ended 30 September 2015 have been reclassified for the sake of consistency.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(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 attributable to manufacturing and trading

	For the six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HKD'000	HKD'000
Customer A	15,924	10,653
Customer B	15,894	20,760
Customer C*	11,142	17,953
Total	42,960	49,366

* Prior to 22 September 2015, Safilo Group S.p.A., was a former substantial shareholder of the Company.

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Revenue		
Sales of goods	85,377	109,452
Rental income	3,324	2,180
	<hr/> 88,701 <hr/>	<hr/> 111,632 <hr/>
Other income		
Sales of scrap materials	979	185
Bank interest income	256	210
Dividend income from equity investments at fair value through profit or loss	3	2
Others	916	453
	<hr/> 2,154 <hr/>	<hr/> 850 <hr/>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. FINANCE COSTS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	<u>609</u>	<u>451</u>

6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	78,428	112,180
Depreciation	8,336	9,255
Amortisation of prepaid land lease payments	135	191
Minimum lease payments under operating leases in respect of land and buildings	873	1,329
Employee benefits expense (including directors' remunerations):		
Wages and salaries	46,863	62,259
Pension scheme contributions**	<u>705</u>	<u>633</u>
	<u>47,568</u>	<u>62,892</u>
Gross rental income	(3,324)	(2,180)
Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)*	<u>283</u>	<u>65</u>
Net rental income	<u>(3,041)</u>	<u>(2,115)</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. LOSS BEFORE TAX (Continued)

	For the six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for inventory obsolescence*	1,904	249
Foreign exchange differences, net	1,541	5,987
Other operating expenses/(income), net:		
Loss on disposal of items of property, plant and equipment	548	–
Gain on disposal of a subsidiary	(21,030)	–
Impairment of trade receivables	31	73
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss – held for trading	4	13
Derivative financial instruments	–	(843)
	<u>(20,447)</u>	<u>(757)</u>

* 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 2015: Nil).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. INCOME TAX

	For the six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong – Underprovision in prior years	43	–
Current – Elsewhere – Charge for the period	280	11
	<u>323</u>	<u>11</u>
Total tax charge for the period	<u>323</u>	<u>11</u>

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 September 2015: Nil). Taxes on assessable profits elsewhere have been provided and calculated at the tax rates 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 2016 (six months ended 30 September 2015: Nil).

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

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$14,958,000 (six months ended 30 September 2015: HK\$36,621,000) and 323,649,123 (six months ended 30 September 2015: 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 parent presented for the six months ended 30 September 2016 and 2015 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

For the six months ended 30 September 2016, the Group acquired assets with an aggregate cost of HK\$743,000 (six months ended 30 September 2015: HK\$2,367,000).

Assets with net carrying amounts of HK\$576,000 were disposed of and written off by the Group during the six months ended 30 September 2016, resulting in a net loss of HK\$548,000. There are no disposals of property, plant and equipment in the prior period.

11. TRADE RECEIVABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade receivables	34,761	37,306
Impairment	(322)	(364)
	<u>34,439</u>	<u>36,942</u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally ranging from 45 to 120 days (31 March 2016: 45 to 120 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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 2016 and 31 March 2016, based on the invoice date and net of impairment of trade receivables, is as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Current to 90 days	34,438	36,935
91 – 180 days	1	7
	34,439	36,942

12. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2016 and 31 March 2016:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Current to 90 days	11,730	11,577
91 – 180 days	301	1,168
181 – 360 days	16	71
Over 360 days	260	343
Total	12,307	13,159

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Other payables	942	355
Accruals	16,752	13,114
Deposit received	31,999	33,277
	<u>49,693</u>	<u>46,746</u>
Less: Non-current portion	(1,350)	(1,372)
	<u>48,343</u>	<u>45,374</u>

Pursuant to the Company's announcement dated 18 January 2016, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party to dispose of its entire equity interest in Jet Kingdom Machinery Technology Company Limited, a wholly-owned subsidiary (the "Subsidiary"). To secure the transaction, the purchaser paid a deposit of RMB26 million (the "Deposit") which equals to the full amount of the consideration. The procedure for remitting the net proceeds out of the PRC takes time and is still being arranged. As and when the procedure is completed, the purchaser needs to remit the fund to the Group's bank account in Hong Kong and the Group has to return the Deposit to the purchaser. The management is working to make it happen as soon as practicable.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. INTEREST-BEARING BANK BORROWINGS

	At 30 September 2016			At 31 March 2016		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current						
Bank loans – secured	2.68–3.1	2016	<u>35,729</u>	2.65–2.92	2016	<u>45,265</u>
Analysed into:						
Bank borrowings repayable within one year or on demand			<u>35,729</u>			<u>45,265</u>

The Group's banking facilities amounting to HK\$60,000,000 (31 March 2016: HK\$60,000,000), of which HK\$35,729,000 (31 March 2016: HK\$45,265,000) 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 carrying amount and market value of approximately HK\$17,870,000 and approximately HK\$75,100,000 respectively (31 March 2016: HK\$18,163,100 and HK\$75,100,000) and a corporate guarantee given by the Company in favour of banks. The Group's bank borrowings as at 30 September 2016 and 31 March 2016 were denominated in United States dollars and Hong Kong dollars.

During the six months ended 30 September 2016, the Group raised new borrowings of HK\$3,319,000 (six months ended 30 September 2015: HK\$10,774,000).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its office premises, factories, dormitories 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one year	6,869	7,016
In the second to fifth years, inclusive	1,137	4,660
	8,006	11,676

(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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within one year	1,068	834
In the second to fifth years, inclusive	3,395	3,326
After five years	27,797	28,993
	32,260	33,153

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Equipment and machinery	—	93

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended 30 September 2016 (Unaudited) HK\$'000		2015 (Unaudited) HK\$'000
Transactions with a substantial shareholder:			
Sales of goods to the group of Safilo Group S.p.A.*	N/A		17,953
Rental expenses paid to a director	222		222

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Amount due from a substantial shareholder:		
Trade receivables from the group of Safilo Group S.p.A.*	<u>N/A</u>	<u>N/A</u>
Loans to a joint venture	<u>3,573</u>	<u>3,573</u>
Trade receivables from a joint venture	<u>2</u>	<u>2</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.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	<u>3,093</u>	<u>3,192</u>

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, current portion of an amount due from a joint venture, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, interest-bearing bank borrowings and current portion of financial liabilities included in other payables, accruals and deposits received 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 financial 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 the non-current portion of a loan to a joint venture and the non-current portion of a deposit received have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's own non-performance risk for interest-bearing bank borrowings as at 30 September 2016 was assessed to be insignificant.

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)

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 2016 (unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
Available-for-sale financial asset:				
Club debenture	360	–	–	360
Equity investments at fair value through profit or loss	84	–	–	84
	444	–	–	444

As at 31 March 2016 (audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	HK\$'000	HK\$'000	HK\$'000	
Available-for-sale financial asset:				
Club debenture	360	–	–	360
Equity investments at fair value through profit or loss	88	–	–	88
	448	–	–	448

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 2016: Nil).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. EVENT AFTER THE REPORTING PERIOD

Disposal of an entire issued share capital and loans due from Million Wave Limited, a wholly owned subsidiary of the Company

On 14 October 2016 (after trading hours), Tycoon New Investments Limited, hereinafter referred to as the “Disposal Purchaser” and Elegance Optical Investments Limited, hereafter referred to as the “Disposal Vendor” entered into the Disposal Agreement to dispose of the entire issued share capital of Million Wave Limited, hereinafter referred to as the “Disposal Company” and all outstanding amounts, hereinafter refer to the “Disposal Loans” owing by the Disposal Company to the Disposal Vendor, for a total consideration of HK\$187,000,000, which comprises the sum of HK\$141,416,000 for the Disposal Shares and the sum of HK\$45,584,000 for the Disposal Loan.

As a condition of the Disposal Completion, Elegance Optical Manufactory Limited, hereinafter referred to as the “Lessee” and the Disposal Company will enter into a 2-year Leaseback Agreement, under which the Disposal Company as the Lessor will lease certain properties owned by the Disposal Company, namely a portion of both the factory and dormitory in each of Zones B and C to the Lessee for a monthly rent of HK\$372,000.

The Disposal Completion is subject to the fulfillment or waiver of the conditions described in the announcement dated 14 October 2016. Upon the Disposal Completion, the Disposal Company will be wholly-owned by the Disposal Purchaser and cease to be a subsidiary of the Company.

20. 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 23 November 2016.

SUPPLEMENTARY INFORMATION

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

As at 30 September 2016, the interest's and short positions of the directors and chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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") as set out in Appendix 10 to 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			Percentage of the issued share capital of the Company
	Beneficial owner	Other interests	Total	
Hui Leung Wah (Note)	12,308,000	141,316,000	153,624,000	47.47
Hui Chun Yuen (Note)	–	141,316,000	141,316,000	43.66
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 Leung Wah 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 each of 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 a discretionary trust with First Advisory Trust (BVI) Limited as trustee, the beneficiaries of which include the immediate family members of Mr. Hui Leung Wah (Mr. Hui Leung Wah himself is not a beneficiary of the discretionary trust but is a director of Wahyee (PTC) Limited). Mr. Hui Chun Yuen, an executive director of the Company and the son of Mr. Hui Leung Wah, is one of the beneficiaries of the trust.

SUPPLEMENTARY INFORMATION *(Continued)*

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

Long positions 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 note I to the financial statements of the Company for the year ended 31 March 2016.

In addition to the above, certain directors 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 then minimum company membership requirements.

Save as disclosed above, as at 30 September 2016, none of the directors or chief executive of the Company had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded 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

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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the related party transactions disclosures set out in note 17 of the financial statements, none of the directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts 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)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

At 30 September 2016, the interest or short positions of the persons, other than directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

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 (Note 1)	153,624,000	Beneficiary of a trust and interest of spouse	47.47
Hui Sze Man, Doris (Note 2)	141,316,000	Beneficiary of a trust	43.66
Hui Wing Ka, Candy (Note 2)	141,316,000	Beneficiary of a trust	43.66
First Advisory Trust (BVI) Limited (Note 2)	141,316,000	Trustee	43.66
Wahyee (PTC) Limited (Note 2)	141,316,000	Trustee	43.66
So Kai Sing	59,999,123	Beneficial owner	18.54
Chan Wai Hang	59,999,123	Interest of spouse	18.54

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 note under 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 2016, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUPPLEMENTARY INFORMATION *(Continued)*

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 2016.

CHANGES IN DIRECTORS’ INFORMATION

There was no change in the information of the directors of the Company since the publication of the annual report of the Company for the year ended 31 March 2016 which is required to be disclosed pursuant to Rule 13.51 of the Listing Rules.

CORPORATE GOVERNANCE

During the six months ended 30 September 2016, 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 the Board by the independent non-executive directors, a balancing mechanism is in place and operating so that the interests of the shareholders are adequately and fairly represented.

SUPPLEMENTARY INFORMATION *(Continued)*

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established in June 2005 and its terms of reference were amended on 29 March 2012. The Committee currently comprises three independent non-executive directors, Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man. The major duties and functions of the Remuneration Committee include but not limited to making recommendations to the Board on the remuneration packages of individual directors and senior management of the Company. It is also mandated to review and approve compensation payable to the directors and senior management for any loss or termination of office to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established in 1999 and its terms of reference were amended by the Board and became effective on 23 February 2016 and 1 March 2016, respectively. The Audit Committee 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 and functions of the Audit Committee include but not limited to review of the relationship between the Company and its external auditors, review of the Group’s financial information, oversight of the Group’s financial reporting system, internal control procedures and performance of the corporate governance functions delegated by the Board, assessment on any potential special risks to be encouraged by the Company and review of the effectiveness of the internal control system.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) was established in June 2005 and its terms of reference were amended on 29 March 2016. The Nomination Committee currently comprises three independent non-executive directors, Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man. Its main duties and functions include but not limited to review of the structure, size, composition and the diversity policy of the Board and the selection or recommendations to the Board for nomination on directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the “Code of Conduct”) regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, 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 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 2016 has been reviewed by the Audit Committee. 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, 23 November 2016