



Ngai Shun Holdings Limited

毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1246

2016

Interim Report

CONTENTS

Corporate Information	2
Independent Review Report	4
Condensed Consolidated Statement of Profit or Loss	6
Condensed Consolidated Statement of Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to Interim Condensed Consolidated Financial Information	13
Management Discussion and Analysis	34
Disclosure of Interest	49
Share Option Scheme	51
Corporate Governance and Other Information	53



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Mock Wai Yin (*Chairman*)

Dr. Wong Yun Kuen

(appointed on 5 July 2016)

Mr. Wang Xin

(resigned on 22 August 2016)

Non-executive Director

Mr. Chui Kwong Kau

Independent Non-executive Directors

Mr. Lam Chi Wai

Ms. Lau Mei Ying

Ms. Thadani Jyoti Ramesh

Mr. Eric Todd

(appointed on 18 July 2016)

COMPANY SECRETARY

Mr. Yeung Siu Keung

AUDIT COMMITTEE

Mr. Lam Chi Wai (*Chairman*)

Ms. Lau Mei Ying

Ms. Thadani Jyoti Ramesh

REMUNERATION COMMITTEE

Mr. Lam Chi Wai (*Chairman*)

Ms. Lau Mei Ying

Ms. Thadani Jyoti Ramesh

NOMINATION COMMITTEE

Mr. Lam Chi Wai (*Chairman*)

Ms. Lau Mei Ying

Ms. Thadani Jyoti Ramesh

REGISTERED OFFICE

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2102, 21/F

West Tower Shun Tak Centre

168–200 Connaught Road Central

Sheung Wan

Hong Kong

AUDITORS

Zenith CPA Limited

10/F., China Hong Kong Tower

8–12 Hennessy Road, Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

CORPORATE INFORMATION (continued)

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
OCBC Wing Hang Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Nanyang Commercial Bank, Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

01246

WEBSITE

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INDEPENDENT REVIEW REPORT



ZENITH CPA LIMITED
誠豐會計師事務所有限公司
10/F, China Hong Kong Tower
8-12 Hennessy Road
Wanchai, Hong Kong
香港灣仔軒尼詩道8-12號
中港大廈10樓

TO THE BOARD OF DIRECTORS OF NGAI SHUN HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Ngai Shun Holdings Limited (the “**Company**”) and its subsidiaries set out on pages 6 to 33, which comprise the condensed consolidated statement of financial position as at 30 September 2016 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory information. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT REVIEW REPORT (continued)

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information are not prepared, in all material respects, in accordance with HKAS 34.

Zenith CPA Limited

Certified Public Accountants

Cheng Po Yuen

Practising Certificate Number: P04887

Hong Kong

25 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4	191,905	227,432
Cost of sales		(178,662)	(188,281)
Gross profit		13,243	39,151
Other income and gains, net		5,118	1,991
Selling and distribution expenses		(4,047)	—
Administrative expenses		(58,320)	(33,493)
Other expenses		(94,737)	(84,393)
Finance costs	5	(75,996)	(3,345)
LOSS BEFORE TAX	6	(214,739)	(80,089)
Income tax credit/(expense)	7	2,318	(1,826)
LOSS FOR THE PERIOD		(212,421)	(81,915)
Attributable to:			
Owners of the parent		(212,421)	(81,915)
Non-controlling interests		—	—
		(212,421)	(81,915)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			(Restated)
Basic and diluted			
— For loss for the period	9	HK(6.51) cents	HK(7.36) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(212,421)	(81,915)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(600)	1,650
Exchange differences on translation of foreign operations	(11,636)	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(12,236)	1,650
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(224,657)	(80,265)
Attributable to:		
Owners of the parent	(224,657)	(80,265)
Non-controlling interests	—	—
	(224,657)	(80,265)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

	Notes	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	74,478	77,971
Goodwill	11	17,336	17,336
Available-for-sale investments		7,200	7,800
Total non-current assets		99,014	103,107
CURRENT ASSETS			
Inventories		480	469
Completed properties held for sale		369,711	406,444
Properties under development		940,427	811,421
Trade and retention receivables	12	98,874	73,760
Prepayments, deposits and other receivables		60,436	135,338
Equity investments at fair value through profit or loss		231,304	237,164
Tax recoverable		27,879	21,626
Restricted cash		27,062	18,541
Cash and cash equivalents		448,154	108,901
Total current assets		2,204,327	1,813,664
CURRENT LIABILITIES			
Trade payables	13	46,104	43,824
Other payables and accruals		367,871	321,675
Due to a related company		49,456	120,000
Promissory notes	14	—	241,485
Interest-bearing bank and other borrowings	15	528,266	359,169
Tax payable		488	353
Total current liabilities		992,185	1,086,506
NET CURRENT ASSETS		1,212,142	727,158
TOTAL ASSETS LESS CURRENT LIABILITIES		1,311,156	830,265

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 September 2016

	Notes	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,311,156	830,265
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	15	264,311	514,214
Provision for long service payments		4,430	4,848
Deferred tax liabilities		119,052	122,164
Total non-current liabilities		387,793	641,226
Net assets		923,363	189,039
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	161,850	24,900
Reserves		708,030	164,139
		869,880	189,039
Non-controlling interests		53,483	—
Total equity		923,363	189,039

Mock Wai Yin
Director

Wong Yun Kuen
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2016

	Attributable to owners of the parent									
	Share capital	Share premium account	Merger reserve	Available-for-sale investments revaluation reserve	Exchange fluctuation reserve	Other reserve	(Accumulated loss)/retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	4,150	95,797	10,000	1,560	—	—	209,917	321,424	—	321,424
Loss for the period	—	—	—	—	—	—	(81,915)	(81,915)	—	(81,915)
Other comprehensive income for the period:										
Changes in fair value of available-for-sale investments	—	—	—	1,650	—	—	—	1,650	—	1,650
Total comprehensive income/(loss) for the period	—	—	—	1,650	—	—	(81,915)	(80,265)	—	(80,265)
Placing of shares (note 16(d))	830	59,760	—	—	—	—	—	60,590	—	60,590
Share issue expenses (note 16(d))	—	(1,595)	—	—	—	—	—	(1,595)	—	(1,595)
Issue of bonus shares (note 16(f))	19,920	—	—	—	—	—	(19,920)	—	—	—
At 30 September 2015	24,900	153,962	10,000	3,210	—	—	108,082	300,154	—	300,154
At 1 April 2016	24,900	153,962*	10,000*	5,010*	(1,437)*	—	(3,396)*	189,039	—	189,039
Loss for the period	—	—	—	—	—	—	(212,421)	(212,421)	—	(212,421)
Other comprehensive loss for the period:										
Changes in fair value of available-for-sale investments	—	—	—	(600)	—	—	—	(600)	—	(600)
Exchange differences on translation of foreign operations	—	—	—	—	(11,636)	—	—	(11,636)	—	(11,636)
Total comprehensive loss for the period	—	—	—	(600)	(11,636)	—	(212,421)	(224,657)	—	(224,657)
Issue of rights shares (note 16(c))	136,950	766,920	—	—	—	—	—	903,870	—	903,870
Share issue expenses (note 16(c))	—	(24,889)	—	—	—	—	—	(24,889)	—	(24,889)
Deemed disposal of partial interests in subsidiaries (note 17)	—	—	—	—	—	26,517	—	26,517	53,483	80,000
At 30 September 2016	161,850	895,993*	10,000*	4,410*	(13,073)*	26,517*	(215,817)*	869,880	53,483	923,363

* These reserve accounts comprise the consolidated reserves of HK\$708,030,000 (31 March 2016: HK\$164,139,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2016

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/generated from operations	(12,657)	8,367
Bank interest received	78	1
Hong Kong profits tax refunded	135	—
Overseas taxes paid	(7,379)	—
Net cash flows (used in)/from operating activities	(19,823)	8,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from listed investments	340	66
Disposal of subsidiaries	—	40,457
Proceeds from disposal of items of property, plant and equipment	3,478	501
Deposits paid for purchases of items of property, plant and equipment	—	(922)
Purchases of equity investments at fair value through profit or loss	(119,898)	(358,088)
Proceeds from disposal of equity investments at fair value through profit or loss	31,021	64,661
Purchases of items of property, plant and equipment	(12,612)	(43,051)
Net cash flows used in investing activities	(97,671)	(296,376)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Six months ended 30 September 2016

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	903,870	60,590
Share issue expenses	(24,889)	(1,595)
Interest paid on finance leases and bank and other loans	(79,272)	(345)
New bank and other loans	25,000	22,021
Redemption of promissory note	(245,000)	—
Repayment of finance leases	—	(263)
Repayment of bank and other loans	(111,834)	(7,956)
Net cash flows from financing activities	467,875	72,452
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	350,381	(215,556)
Cash and cash equivalents at beginning of period	108,901	254,815
Effect of foreign exchange rate changes, net	(11,128)	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	448,154	39,259

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Ngai Shun Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered address of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Unit 2102, 21/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

During the period, the Company and its subsidiaries (the “**Group**”) was involved in the following principal activities:

- Foundation business
- Property development business
- Investment securities
- Provision of catering services

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial information 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 (the “**HKICPA**”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The unaudited condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA.

These unaudited condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared under the historical cost convention, except for certain of financial instruments, which have been measured at fair value. These unaudited condensed consolidated interim financial information are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited condensed consolidated interim financial information:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>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>
<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial information and there have been no significant changes to the accounting policies in the unaudited condensed consolidated interim financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



4. SEGMENT INFORMATION

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

- (a) Foundation piling: Contracts for foundation business
- (b) Property development: Sale of properties
- (c) Investment securities: Trading of securities and investment in long-term securities
- (d) Food and beverage: Provision of catering services

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 profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amount due to a related company, interest-bearing other 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. SEGMENT INFORMATION (continued)

Six months ended 30 September 2016

	Foundation piling (Unaudited) HK\$'000	Property development (Unaudited) HK\$'000	Investment securities (Unaudited) HK\$'000	Food and beverage (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:					
Revenue from external customers	154,511	25,658	—	11,736	191,905
Segment results	(18,863)	(13,625)	(94,399)	2,960	(123,927)
<i>Reconciliation:</i>					
Bank interest income					78
Corporate and other unallocated expenses, net					(14,894)
Finance costs					(75,996)
Loss before tax					(214,739)
<i>Other segment information:</i>					
Dividend income from equity investments at fair value through profit or loss	—	—	340	—	340
Depreciation	(15,764)	(156)	—	(123)	(16,043)
Fair value losses on equity investments at fair value through profit or loss	—	—	(93,845)	—	(93,845)
Loss on disposal of equity investments at fair value through profit or loss	—	—	(892)	—	(892)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. SEGMENT INFORMATION (continued)

Six months ended 30 September 2015

	Foundation piling (Unaudited) <i>HK\$'000</i>	Investment securities (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue:			
Revenue from external customers	227,432	—	227,432
Segment results			
	11,172	(84,248)	(73,076)
<i>Reconciliation:</i>			
Bank interest income			1
Corporate and other unallocated expenses, net			(3,669)
Finance costs			(3,345)
Loss before tax			(80,089)
<i>Other segment information:</i>			
Dividend income from equity investments at fair value through profit or loss	—	66	66
Depreciation	(12,950)	—	(12,950)
Fair value losses on equity investments at fair value through profit or loss	—	(59,524)	(59,524)
Loss on disposal of equity investments at fair value through profit or loss	—	(24,789)	(24,789)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. SEGMENT INFORMATION (continued)

30 September 2016

	Foundation piling (Unaudited) <i>HK\$'000</i>	Property development (Unaudited) <i>HK\$'000</i>	Investment securities (Unaudited) <i>HK\$'000</i>	Food and beverage (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets	206,762	1,396,271	620,749	25,564	2,249,346
<i>Reconciliation:</i>					
Tax recoverable					27,879
Corporate and other unallocated assets					26,116
Total assets					2,303,341
Segment liabilities	105,218	336,834	10	2,003	444,065
<i>Reconciliation:</i>					
Due to a related company					49,456
Interest-bearing other borrowings					765,731
Tax payable					488
Deferred tax liabilities					119,052
Corporate and other unallocated liabilities					1,186
Total liabilities					1,379,978

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. SEGMENT INFORMATION (continued)

31 March 2016

	Foundation piling (Audited) HK\$'000	Property development (Audited) HK\$'000	Investment securities (Audited) HK\$'000	Food and beverage (Audited) HK\$'000	Total (Audited) HK\$'000
Segment assets	236,571	1,356,879	245,944	24,301	1,863,695
<i>Reconciliation:</i>					
Tax recoverable					21,626
Corporate and other unallocated assets					31,450
Total assets					1,916,771
Segment liabilities	115,753	265,190	10	4,062	385,015
<i>Reconciliation:</i>					
Due to a related company					120,000
Interest-bearing other borrowings					834,703
Tax payable					353
Deferred tax liabilities					122,164
Other unallocated liabilities					265,497
Total liabilities					1,727,732

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other loans	69,481	344
Interest on finance lease	—	1
Interest on loan from a related company (note 19 (b))	3,000	3,000
Interest on promissory notes	3,515	—
	75,996	3,345

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of properties sold	23,592	—
Cost of inventories sold	1,937	—
Depreciation	16,056	12,952
Minimum lease payments under operating leases	3,377	868
Foreign exchange differences, net	7,896	2
Bank interest income	(78)	(1)
Dividend income from equity investments at fair value through profit or loss	(340)	(66)
Fair value losses on equity investments at fair value through profit or loss*	93,845	59,524
Loss on disposal of equity investments at fair value through profit or loss*	892	24,789
Loss on disposal of subsidiaries*	—	80
Gain on disposal of items of property, plant and equipment	(3,448)	(500)
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	68,915	65,098
Pension scheme contributions	1,899	2,413
	70,814	67,511
Less: Amount capitalised	(1,361)	—
	69,453	67,511

* Included in "Other expenses" on the face of the condensed consolidated statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. INCOME TAX

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	—	880
Current — PRC LAT		
Charge for the period	794	—
	794	880
Deferred	(3,112)	946
Total tax (credit)/charge for the period	(2,318)	1,826

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$880,000).

PRC CIT

The People's Republic of China (the "PRC") Corporate Income Tax (the "CIT") in respect of operations in the PRC have been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 September 2016 and 2015, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC land appreciation tax ("PRC LAT") are levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8. DIVIDENDS

The Board has resolved that not to declare 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 calculations of the basic and diluted loss per share are based on:

	<u>Six months ended 30 September</u>	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	212,421	81,915
	<u>Number of shares</u> <u>Six months ended 30 September</u>	
	2016 (Unaudited)	2015 (Unaudited) (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation as adjusted for share consolidation and rights issue which were completed on 15 June 2016 and 20 July 2016, respectively (2015: as adjusted for share consolidation and rights issue)	3,264,991,000	1,112,628,000

The Group had no potentially dilutive ordinary shares in issue for the six months ended 30 September 2016 and 2015.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2016, the Group had addition of property, plant and equipment at a total cost of HK\$12,612,000 (six months ended 30 September 2015: HK\$43,051,000).

11. GOODWILL

At 30 September 2016 and 31 March 2016, the carrying amount of goodwill of HK\$17,336,000 was allocated to the food and beverage cash-generating unit. In the opinion of the directors, there was no indicator for impairment on the goodwill in relation to food and beverage cash-generating unit based on the current operation performance and the expected future revenue growth rate.

12. TRADE AND RETENTION RECEIVABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade receivables	62,550	38,741
Retention receivables	36,324	35,019
	98,874	73,760

Trade receivables mainly consist of receivables from the provision of catering services and contract receivables. The Group's trading terms with its customers in relation to the provision of catering services are mainly on 30-day credit period. Contract and retention receivables are past due when a counterparty has failed to make a payment when contractually due and their credit period granted to customers is generally for a period of one month or otherwise the payment terms of contract work are stipulated in the related contract. Trade and retention receivables are non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12. TRADE AND RETENTION RECEIVABLES (continued)

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 30 days	62,099	19,831
31 to 60 days	124	17,670
61 to 90 days	37	—
Over 90 days	290	1,240
	62,550	38,741
Retention receivables	36,324	35,019
	98,874	73,760

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 30 days	35,364	39,294
31 to 60 days	4,514	742
61 to 90 days	1,079	682
Over 90 days	5,147	3,106
	46,104	43,824

The trade payables are non-interest-bearing and are normally settled on terms of one month to three months.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. PROMISSORY NOTES

On 29 September 2015 and 4 November 2015, the Company entered into a sale and purchase agreement and supplement agreement, respectively, with Landing International Development Limited (the vendor or “**Landing**”), for the acquisition of 100% equity interest of Double Earn Holdings Limited and its subsidiaries (the “**Double Earn Group**”). The consideration of HK\$1,000,000,000 payable by the Company through cash of HK\$755,000,000 and issuance of the promissory notes at the aggregate principal amount of HK\$245,000,000 to Landing. The unsecured promissory notes were interest-bearing at 15% per annum with interest payable on the maturity date on 23 November 2016. During the period ended 30 September 2016, the promissory notes were early redeemed by the Company in full with interest on the redeemed amount accrued up to the date of redemption of HK\$272,353,000.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2016			31 March 2016		
	Effective interest rate			Effective interest rate		
	(Unaudited) (%)	(Unaudited) Maturity	(Unaudited) HK\$'000	(Audited) (%)	(Audited) Maturity	(Audited) HK\$'000
Current						
Other loans — unsecured (note (a))	—	—	—	15	2016	75,000
Bank loans — unsecured (note (b))	2.2–2.5	on demand	26,846	2.2–3.75	on demand	38,680
Current portion of other loan — secured (note (c))	13.4	2017	501,420	13.4	2016	245,489
			528,266			359,169
Non-current						
Non-current portion of other loan — secured (note (c))		2017	264,311		2017	514,214
			792,577			873,383

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) At 31 March 2016, the Group's other loans were unsecured, bore interest at 15% and repayable in June 2016.
- (b) At 30 September 2016, a personal guarantee given by Dr. Wong Sai Chung, Albert (“**Dr. Wong**”) and Mr. Lam Wing Sum (“**Mr. Lam**”), both are the directors of a subsidiary of the Company for the Group's bank loans up to HK\$97,821,000 (31 March 2016: HK\$127,821,000).
- (c) The Group's other loan is secured by pledged shares of the two subsidiaries of the Company.
- (d) Except for the secured other loan in note (c) above which is denominated in United State dollars, all borrowings are denominated in Hong Kong dollars.

16. SHARE CAPITAL

	30 September 2016		31 March 2016	
	Number of shares (Unaudited)	(Unaudited) HK\$'000	Number of shares (Audited)	(Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.025 each (31 March 2016: HK\$0.001) (note (b))	16,000,000,000	400,000	200,000,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK\$0.025 each (31 March 2016: HK\$0.001)	6,474,000,000	161,850	24,900,000,000	24,900

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. SHARE CAPITAL (continued)

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue (Unaudited)	Share capital (Unaudited) <i>HK\$'000</i>	Share premium account (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 31 March 2016 and 1 April 2016	24,900,000,000	24,900	153,962	178,862
Shares consolidation (note (a))	(23,904,000,000)	—	—	—
Rights issue (note (c))	5,478,000,000	136,950	766,920	903,870
	6,474,000,000	161,850	920,882	1,082,732
Share issue expenses (note (c))	—	—	(24,889)	(24,889)
At 30 September 2016	6,474,000,000	161,850	895,993	1,057,843
At 1 April 2015	415,000,000	4,150	95,797	99,947
Shares issued pursuant to the placing (note (d))	83,000,000	830	59,760	60,590
Share subdivision (note (e))	4,482,000,000	—	—	—
Bonus issue (note (f))	19,920,000,000	19,920	—	19,920
	24,900,000,000	24,900	155,557	180,457
Share issue expenses (note (d))	—	—	(1,595)	(1,595)
At 31 March 2016	24,900,000,000	24,900	153,962	178,862

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. SHARE CAPITAL (continued)

Notes:

- (a) At the extraordinary general meeting of the Company held on 14 June 2016, the ordinary resolution was passed in respect of the share consolidation (the “**Share Consolidation**”) of every twenty-five (25) issued and unissued ordinary shares of the Company of HK\$0.001 each into one (1) consolidated share of the Company of HK\$0.025 (the “**Consolidated Share**”). Immediately after the Share Consolidation became effective on 15 June 2016, the issued and fully paid ordinary share capital of the Company was 996,000,000 shares of HK\$0.025 each.
- (b) At the extraordinary general meeting of the Company held on 14 June 2016, the ordinary resolution was passed to increase the authorised share capital of the Company from HK\$200,000,000 to HK\$400,000,000 by the creation of additional 8,000,000,000 ordinary shares of HK\$0.025 each following the Share Consolidation mentioned in (a) above.
- (c) On 20 July 2016, the Company completed the rights issue (the “**Rights Issue**”) on the basis of eleven (11) rights shares of the Company of HK\$0.025 each (the “**Rights Share(s)**”) for every two (2) Consolidated Shares held on the record date. 5,478,000,000 Rights Shares were issued at a subscription price of HK\$0.165 per Rights Share. The gross proceeds of the Rights Issue was HK\$903,870,000, of which HK\$136,950,000 was credited to the share capital account and HK\$766,920,000 was credited to the share premium account. Details of which were set out in the Company’s circular dated 27 May 2016. The expenses directly attributable to the Rights Issue of HK\$24,889,000 were debited to the share premium account.
- (d) On 23 April 2015, the Company issued 83,000,000 shares of HK\$0.01 each to not less than six places at a price of HK\$0.73 pursuant to the terms and conditions of the placing agreement entered into between the Company and Kingston Securities Limited on 13 April 2015. After netting off share issue expenses of HK\$1,595,000, net proceeds of HK\$59,000,000 were recognised. Details of the placing were set out in the announcements of the Company dated 13 April 2015 and 23 April 2015.
- (e) On 3 June 2015, an ordinary resolution was duly passed at the extraordinary general meeting of the Company pursuant to which each issued and unissued share of HK\$0.01 was subdivided into ten (10) subdivided shares of HK\$0.001 each with effect from 4 June 2015. Details of the share subdivision were set out in the circular of the Company dated 15 May 2015.
- (f) On 19 August 2015, ordinary resolutions were duly passed at the extraordinary general meeting of the Company pursuant to which the authorised share capital of the Company increased from HK\$10,000,000 divided into 10,000,000,000 shares of HK\$0.001 each to HK\$200,000,000 divided into 200,000,000,000 shares of HK\$0.001 each and issue and allotment of bonus shares on the basis of four (4) bonus shares for every one (1) share held by the qualifying shareholders on the record date of 27 August 2015. 19,920,000,000 bonus shares of HK\$0.001 each were allotted and issued on 2 September 2015. Details of the bonus issue were set out in the circular of the Company dated 3 August 2015.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17. DEEMED DISPOSAL OF PARTIAL INTEREST IN SUBSIDIARIES

On 25 July 2016, the Company as the vendor and Excellent Speed Limited (“**Excellent Speed**”) as the purchaser entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell 49% of the issued share capital of Pearl Swirls Limited to Excellent Speed at the consideration of HK\$80,000,000 (the “**Disposal**”).

The completion of the Disposal took place on 30 September 2016 and the consideration was offset by the loan and interests owed to Excellent Speed by the Company, which amounted to HK\$129,456,000 as at 30 September 2016 before such offset. Upon completion of the Disposal, the Company and Excellent Speed holds 51% and 49% of the total issued share capital of Pearl Swirls Limited, respectively, and Pearl Swirls Limited and its wholly-owned subsidiary, Ngai Shun Construction and Drilling Company Limited (the “**Pearl Swirls Group**”), remain subsidiaries of the Company. The financial results of the Pearl Swirls Group would continue to be consolidated into the Group’s financial statements.

Such dilution of shareholding of the Pearl Swirls Group held by the Company from 100% to 51% constituted a deemed disposal of the Group’s equity interest in the Pearl Swirls Group, and the difference of HK\$26,517,000 between the fair value of the consideration received and 49% carrying amount of the net assets attributable to the deemed disposal of was recognised directly in equity as other reserve during the period ended 30 September 2016. Details of which were set out in announcements of the Company dated 25 July 2016, 22 September 2016, 30 September 2016 and 14 November 2016, and the circular of the Company dated 31 August 2016.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. COMMITMENTS

(a) Operating leases arrangements

The Group leases certain of its restaurants and office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to three years.

As 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	3,664	6,033
In the second to fifth years, inclusive	327	1,009
	3,991	7,042

(b) Capital commitments

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: Properties being developed by the Group for sale	112,830	200,869

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19. RELATED PARTY TRANSACTIONS

In addition to the transactions details elsewhere in these unaudited condensed consolidated interim financial information, the Group entered into the follows of material transactions with related parties during the period ended 30 September 2016:

- (a) For the six months ended 30 September 2016, the Group disposed 49% equity interest in Pearl Swirls Limited to Excellent Speed, a company of which is beneficially owned by Dr. Wong and Mr. Lam, both are the directors of a subsidiary of the Company. Details of which were set out in the circular of the Company dated 31 August 2016.
- (b) The Group has an outstanding principal amount of HK\$49,456,000 due to Excellent Speed as at 30 September 2016 (31 March 2016: HK\$120,000,000). This balance is unsecured, bears interest at the rate of 5% per annum and repayable at a date falling twelve months from the drawdown date on 3 March 2015, which shall be automatically extended for a further term of twelve months unless advance notice for not less than one month is given by Excellent Speed to the Company in writing. There was no outstanding interest payable as at 30 September 2016 (31 March 2015: HK\$6,456,000), and its related interest expenses during the six months ended 30 September 2016 are detailed in note 5 to the interim condensed consolidated financial information.
- (c) Details of guarantees given to the Group in connection with bank loans granted to the Group are included in note 15(b) to the interim condensed consolidated financial information.
- (d) Compensation of key management personnel of the Group:

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term employee benefits	12,785	5,167

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

At 30 September 2016 and 31 March 2016, the investment in equity securities listed in Hong Kong was included in the Group's available-for-sale investments and equity investments at fair value through profit or loss.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured based on the quoted price (unadjusted) in active market (Level 1 fair value measurement). At 30 September 2016, HK\$7,200,000 (31 March 2016: HK\$7,800,000) of available-for-sale investments in equity securities and HK\$231,304,000 (31 March 2016: HK\$237,164,000) of equity investments at fair value through profit or loss are measured at fair value on a recurring basis respectively.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended 31 March 2016. The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the unaudited condensed consolidated interim financial information approximate to their fair values. There was no transfer between Level 1 and 2 in the current and prior periods.

21. CONTINGENT LIABILITIES

Pending litigation

At 30 September 2016, there were three outstanding cases for compensation and personal injuries claims, against the Group by the employee of the subcontractor and the employee of the Group. The claims were related to the employee of the subcontractor and the employee of the Group who alleged to have suffered from bodily injuries during their course of work and employment in the Group's construction sites. The claims are dealt with and handled by the insurers and are covered by mandatory insurance. The directors assessed the cases and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the cases in the unaudited condensed consolidated interim financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22. EVENTS AFTER THE REPORTING PERIOD

On 30 September 2016, the Group as the purchaser entered into a sale and purchase agreement (the “**Agreement**”) with Boill International Co., Limited as the vendor (the “**Vendor**”), pursuant to which the Group conditionally agreed to purchase, and the Vendor conditionally agreed to dispose of, 68% of the issued share capital of Anway Real Estate Limited (the “**Target Company**”) (a wholly-owned subsidiary of the Vendor) together with assignment of the 68% of a shareholder’s loan in the amount of HK\$781,380,000 owed by the Target Company to the Vendor as at the date of the Agreement, subject to further adjustment (if any) at the completion date to the Group at a cash consideration of HK\$1,100,000,000 (the “**Proposed Acquisition**”). The Target Company, through its wholly owned subsidiary in the PRC, collectively owns, manages and operates a property which is based in Songjiang District in Shanghai, the PRC. Upon the completion of the Proposed Acquisition, the Target Company will become a non-wholly-owned subsidiary of the Company.

On 30 September 2016, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with Liyao Investment Limited as the subscriber (the “**Subscriber**”) and pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, on the subscription completion date, in aggregate 2,600,000,000 shares of the Company (the “**Subscription Shares**”) at the subscription price of HK\$0.20 per Subscription Share for an aggregate amount of HK\$520,000,000 (the “**Subscription**”).

23. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information were approved and authorised for issue by the Board on 25 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “**Board**” or “**Directors**”) of Ngai Shun Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2016 to the valued shareholders of the Company (the “**Shareholders**”). The Group’s revenue for the six months ended 30 September 2016 was approximately HK\$191.9 million (six months ended 30 September 2015: HK\$227.4 million), representing a decrease of 15.6% over the previous reporting period. Net loss of approximately HK\$212.4 million (six months ended 30 September 2015: HK\$81.9 million) was incurred for the six months ended 30 September 2016, while the basic and diluted loss per share was HK6.51 cents (six months ended 30 September 2015: HK7.36 cents (restated)).

BUSINESS REVIEW

Foundation Business

Pearl Swirls Limited, through its direct wholly-owned subsidiary, Ngai Shun Construction and Drilling Company Limited, is the sole operating arm of the Group’s foundation business.

During the six months ended 30 September 2016, 12 foundation projects were completed, 17 projects were in progress which included 6 public projects and 11 private projects, and the Group acquired 7 new contracts that worth approximately HK\$167.3 million. The total contract sum on hand as at 30 September 2016 was approximately HK\$621.7 million (30 September 2015: HK\$911.3 million), represents a decline of 31.8% over the previous reporting period while the outstanding contract sum dropped to approximately HK\$218.0 million.

The Group’s major public contracts on hand include Public Rental Housing Development at Queen’s Hill, Redevelopment of Kwong Wah Hospital, Fung Shing Street and Tai Wai Station Property Development. Major private contracts on hand include Commercial Development at North Point Estate and Residential Developments at Lohas Park 7, Stubbs Road and Severn Road.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Disposal of 49% of the Issued Share Capital of Pearl Swirls Limited

In order to free up the capital invested in the declining foundation industry, on 25 July 2016, the Company as the vendor and Excellent Speed Limited (“**Excellent Speed**”) as the purchaser entered into a sale and purchase agreement, pursuant to which the Company had conditionally agreed to sell 49% of the issued share capital of Pearl Swirls Limited to Excellent Speed at the consideration of HK\$80 million (the “**Disposal**”).

As more than one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) exceeded 25% but were less than 75%, the Disposal constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was subject to reporting, announcement and Shareholders’ approval requirements. Both Dr. Wong Sai Chung, Albert (“**Dr. Wong**”) and Mr. Lam Wing Sum (“**Mr. Lam**”) are directors of Ngai Shun Construction and Drilling Company Limited and hence are connected persons of the Company at the subsidiary level. As Excellent Speed is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam, Excellent Speed therefore is an associate of Dr. Wong and Mr. Lam and is a connected person of the Company under the Listing Rules. Accordingly, the Disposal constituted a connected transaction for the Company but was exempt from the independent financial advice and independent Shareholders’ approval requirements under Rule 14A.101 of the Listing Rules.

The Disposal was approved by the Shareholders in the extraordinary general meeting of the Company held on 22 September 2016 and was completed on 30 September 2016. Upon completion of the Disposal, the Company and Excellent Speed holds 51% and 49% of the total issued share capital of Pearl Swirls Limited respectively, and Pearl Swirls Limited and Ngai Shun Construction and Drilling Company Limited remain subsidiaries of the Company. The consideration of HK\$80 million was offset by the loan and interests owed to Excellent Speed by the Company, which amounted to approximately HK\$129.5 million as at 30 September 2016 before such offset.

For further details of the Disposal, please refer to the announcements of the Company dated 25 July 2016, 22 September 2016, 30 September 2016 and 14 November 2016, and the circular of the Company dated 31 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Property Development Business

The Group has been engaging in the property development business since November 2015 following the completion of the acquisition of Double Earn Holdings Limited, which through its subsidiaries, is principally engaged in the development and operation of the property project (the “**Property Project**”), which is located on the western shores of 南湖 (Nanhu Lake[#]), Yueyang, Hunan province, the People’s Republic of China (the “**PRC**”) which is planned to be developed as a high-end residential buildings with club houses and parking lots.

The Property Project has (i) a planned site area of approximately 156,403 square metres; (ii) a construction area of approximately 115,010 square metres; and (iii) two development phases and 113 residential units. Based on the latest development and sales plan, the 113 residential units were split into 226 smaller saleable units (the “**Saleable Units**”). Sales from 10 Saleable Units with saleable area of approximately 1,980 square metres have been recognised as revenue during the six months ended 30 September 2016.

Investment Securities

As at 30 September 2016, the Group had equity investments at fair value through profit or loss of approximately HK\$231.3 million (31 March 2016: HK\$237.2 million) and available-for-sale investments of HK\$7.2 million (31 March 2016: HK\$7.8 million). All these investments represented equity securities listed on the Stock Exchange.

During the six months ended 30 September 2016, the Group recorded loss on disposal and unrealised fair value losses of approximately HK\$0.9 million and HK\$93.8 million respectively (30 September 2015: HK\$24.8 million and HK\$59.5 million respectively) in profit or loss for the equity investments at fair value through profit or loss. There was also a net loss on revaluation of Hong Kong listed securities of HK\$0.6 million (30 September 2015: net gain of HK\$1.7 million) recognised in other comprehensive income, representing the change in fair value of available-for-sale investments. In addition, dividend income of approximately HK\$340,000 (six months ended 30 September 2015: HK\$66,000) received from the investment in Hong Kong listed securities was recognised in profit or loss during the current period.

[#] The English name of the Chinese entitle is translation of its Chinese name and is included herein for identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Significant equity investments at fair value through profit or loss held during the six months ended 30 September 2016 and as at 30 September 2016 are as below:

Company name	Stock code	Principal activities	Number of shares held	% of shareholdings	Unrealised gain/(losses) on fair value change for the period	Fair value as at 30 September 2016		% of net asset of the Group as at 30 September 2016	Fair value as at 31 March 2016	Reasons for unrealised gain/(losses) on fair value change for the period
					HK\$'000	HK\$'000	HK\$'000	HK\$'000		
1	Jin Bao Bao Holdings Limited	1239 Design, manufacture and sale of packaging products and structural components and property investment	330,000,000	3.2%	4,773	49,677	54,450	5.9%	—	Upward movements of share prices
2	Kingston Financial Group Limited	1031 Provision of securities brokerage, underwriting & placements, margin & IPO financing, corporate finance advisory services, futures brokerage & asset management services; provides gaming & hospitality services in Macau	17,000,000	0.1%	(8,231)	59,741	51,510	5.6%	—	Downward movements of share prices
3	Imperial Pacific Holdings Limited	1076 Gaming and resort business, including the development and operation of integrated resort on the Island of Sajan; and processing and trading of food products which mainly include frozen and functional food products	298,000,000	0.2%	(5,364)	43,391	41,124	4.5%	46,488	Downward movements of share prices
4	WLS Holdings Limited	8021 Provision of scaffolding and fitting out services, management, contracting services for construction and buildings work, gondolas, parapet railings, access equipment installation and maintenance services, management contracting services, real estate agency business, money lending business and securities investment business	76,810,000	0.6%	(1,920)	24,421	23,043	2.5%	32,243	Downward movements of share prices
5	HengTen Networks Group Limited	136 Internet Community Service, investment and trading of securities, provision of finance, property investment and manufacturing and sales of accessories for photographic products	40,630,000	0.06%	4,876	8,726	20,112	2.2%	15,236	Upward movements of share prices
6	China Healthcare Enterprise Group Limited	1143 Electronic manufacturing services, distribution of communication products and securities and other assets investment	105,140,000	2.1%	(77,384)	98,728	14,614	1.6%	91,998	Downward movements of share prices
7	Other shares	NA N/A	N/A	N/A	(10,595)	87,919	26,451	2.9%	42,525	Downward movements of share prices
					(93,845)	372,603	231,304		228,490	

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Provision of Catering Services

In January 2016, the Company completed an acquisition of a restaurant in Hong Kong and tapped into the prospective business of provision of catering services. The restaurant mainly provides high-quality food, beverage, entertaining and catering services to high-valued customers. For the six months ended 30 September 2016, the business of provision of catering services contributed a revenue of approximately HK\$11.7 million and a profit of approximately HK\$3.0 million to the Group. This business segment, although new and small in size, has demonstrated a strong financial performance.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2016, revenue of the Group amounted to approximately HK\$191.9 million, representing a decrease of approximately HK\$35.5 million or 15.6% as compared to approximately HK\$227.4 million for the corresponding period in 2015. The decrease was primarily due to the fewer public projects of the foundation business following the serious delay in approving new infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong (the “**Legco Finance Committee**”). The revenue from the foundation business dropped from approximately HK\$227.4 million for the six months ended 30 September 2015 to approximately HK\$154.5 million for the six months ended 30 September 2016, representing a decrease of approximately HK\$72.9 million or 32.1%. The drop in revenue was partially offset by the revenue from the new property development business, which contributed approximately HK\$25.7 million to the total revenue of the Group for the six months ended 30 September 2016.

Gross Profit and Gross Profit Margin

Gross profit for the six months ended 30 September 2016 was approximately HK\$13.2 million, representing a decrease of approximately HK\$26.0 million or 66.3% from approximately HK\$39.2 million for the corresponding period in 2015. In addition, the gross profit margin decreased from 17.2% for the six months ended 30 September 2015 to 6.9% for the six months ended 30 September 2016. It was mainly due to the decrease in gross profit margin from the foundation business for the six months ended 30 September 2016. In view of the slowdown in infrastructure projects funding approval by the government in previous months meetings, many public projects have been

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

postponed. The Group had to reduce the rate of the foundation projects in order to maintain the market share, which resulted in an adverse effect on the gross profit margin of the foundation business.

Selling and Distribution Expenses

Selling and distribution expenses of approximately HK\$4.0 million for the six months ended 30 September 2016 solely came from the new property development business acquired by the Group in November 2015 and mainly represented advertising costs and costs for sales and marketing staff.

Administrative Expenses and Other Expenses

The Group's administrative expenses increased to approximately HK\$58.3 million for the six months ended 30 September 2016 from approximately HK\$33.5 million for the six months ended 30 September 2015, which represented an increase of approximately 74.0%. Such increase was mainly due to the increase in staff costs and enlarged operation following the acquisition of the property development business in November 2015 and provision of catering services business in January 2016.

The other expenses for the six months ended 30 September 2016 amounted to approximately HK\$94.7 million, representing an increase of approximately HK\$10.3 million as compared to the amount of approximately HK\$84.4 million for the six months ended 30 September 2015. The other expenses for the six months ended 30 September 2016 mainly consisted of the loss on disposal of approximately HK\$0.9 million (six months ended 30 September 2015: HK\$24.8 million) and unrealised fair value losses of approximately HK\$93.8 million (six months ended 30 September 2015: HK\$59.5 million) for the investment in Hong Kong listed securities.

Finance Costs

Finance costs of the Group increased significantly from approximately HK\$3.3 million in the six months ended 30 September 2015 to approximately HK\$76.0 million for the six months ended 30 September 2016, representing an increase of approximately HK\$72.7 million. Such increase was mainly due to the interest expenses on the other borrowings and the promissory notes for paying the consideration of the acquisition of the property development business.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Net Loss

The Group's net loss increased from approximately HK\$81.9 million in the corresponding period in 2015 to approximately HK\$212.4 million for the six months ended 30 September 2016. The enlarged net loss was mainly due to the drop in revenue and gross profit margin, the loss on disposal and unrealised fair value losses of the investment in Hong Kong listed securities as well as the significant increase in the finance costs mentioned above.

Use of Net Proceeds from the Share Offer

The net proceeds from the share offer of the Company in connection with its listing on 16 October 2013 was approximately HK\$99.9 million. According to the section "Future Plans and Use of Proceeds" set out in the prospectus of the Company dated 30 September 2013 (the "**Prospectus**"), the Group has used the net proceeds as follows:

	Estimated net proceeds as per the Prospectus <i>(approximately HK\$' million)</i>	Actual net proceeds <i>(approximately HK\$' million)</i>	Used amount <i>(approximately HK\$' million)</i> (as at 30 September 2016)	Unused amount <i>(approximately HK\$' million)</i> (as at 30 September 2016)
Acquisition of machineries and equipment	51.9	64.9	64.9	—
Hiring additional staff	12.0	15.0	9.1	5.9
Partial bank loan repayment	8.0	10.0	10.0	—
General working capital	8.0	10.0	10.0	—
Total	79.9	99.9	94.0	5.9

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS PROSPECTS

Foundation Business

The foundation industry in Hong Kong has been adversely affected by the political environment and dropped continuously during the current interim period. The serious delay in approving new infrastructure projects by the Legislative Council of Hong Kong and the Legco Finance Committee during the six months ended 30 September 2016 has led to suspension of construction projects.

The Group continues to foresee that the foundation industry will experience downfall in the future, given the chaotic environment in the Legislative Council of Hong Kong that no meeting can be successfully held since the October session, the delay in budget approval is likely to occur in the coming meetings.

The construction boom in past few years also allowed more subcontractors to be listed to enlarge their business size. Together with the impact of fewer public projects, there is increased competition in the private sector and the Group needs to adjust its pricing strategy to have more discounts in the tenders, which further affects the profit margin.

Property Development Business

Going into the second half of the year, the PRC government implemented a series of tight housing policies to optimise the demand and supply structure in the real estate market. Such policies aimed to lower the overall market risk and assure that the real estate market is going on the way of healthy and steady development. Just like most of the real estate markets in other PRC cities, real estate prices in Yueyang, where the Property Project is located, started to fall in the second half of the year.

The construction works for the residential units under the Property Project have been substantially completed and the residential units under the second development phase are available for pre-sale. The Group's major focus in the second half of the year will be to expedite the sale of the residential units in an effective manner in order to provide fund sources for the growth of the Group in the coming years.

Considering the possible future change in the government policies in relation to the property and financial markets which may affect the sentiment and performance of the property development business, the management will closely monitor the market

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

conditions, stick to its prudent financial management and control well its gearing level while holding a relatively high level of financial resources. The Group adheres to the principle of prudent financial management, endeavors to strike a balance between the cash inflow and outflow and to improve the financial strength of the Group on a sustainable basis. Apart from the Property Project, the Company keeps looking for potential acquisition opportunities in property business to develop and strengthen its core businesses in order to enhance the prospect of the Group.

Investment Securities

Since the investment securities became one of its principal business activities in prior year, the Group has been continuously evaluating the performance of its existing investment portfolio and looking for other investment opportunities. The Group will be cautious in making investment decisions based on the then market situation to obtain a balance between risk and return. Such investment decisions may include diversifying the Group's investment portfolio, investing in new listed securities or disposing its existing listed securities.

Provision of Catering Services

The business of provision of catering services, especially those providing high-standard cuisine and targeting at high-value customers, is a promising opportunity in Hong Kong. As people's tastes and requirements on restaurant continuously upgrades, the management is of the view that demand for high-quality restaurant will be even higher in the future. Coupled with the satisfactory profitability of the Group's provision of catering services business, the management is optimistic on its future performance.

DEBTS AND CHARGE ON ASSETS

As at 30 September 2016, the interest-bearing borrowings of the Group consisted of a loan advanced from a related company of HK\$49.5 million (31 March 2016: HK\$120 million), bank loans of approximately HK\$26.8 million (31 March 2016: HK\$38.7 million) and other borrowings of approximately HK\$765.7 million (31 March 2016: HK\$834.7 million). There was no promissory notes as at 30 September 2016 (31 March 2016: HK\$241.5 million). As at 30 September 2016, there was no interest payables for the loan from a related company, other borrowings and promissory notes included in other payables (31 March 2016: HK\$22.1 million). During the six months ended 30 September 2016, the Group repaid other loans of approximately HK\$100 million, bank borrowings

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

of approximately HK\$11.8 million, loan advanced from a related party of approximately HK\$70.5 million and promissory notes of approximately HK\$245 million (six months ended 30 September 2015: repaid finance leases of HK\$0.3 million and bank borrowings of HK\$8.0 million).

The Group charged its equity interest of subsidiaries with net asset value of approximately HK\$960.3 million (31 March 2016: HK\$984.0 million) as at 30 September 2016 to secure the Group's borrowing facility and did not pledge any of its plant and machinery for finance leases facilities as at 30 September 2016 and 31 March 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group had net current assets of approximately HK\$1,212.1 million (31 March 2016: HK\$727.2 million) and cash and bank balances (excluding restricted cash) of approximately HK\$448.2 million (31 March 2016: HK\$108.9 million).

As at 30 September 2016, the gearing ratio of the Group (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 91.2% (31 March 2016: 653.2%).

The significant increase in net current assets and decrease in gearing ratio were mainly due to the increase in cash and bank balances as at 30 September 2016 by approximately HK\$339.3 million after the completion of the rights issue of the Company on 20 July 2016 with net proceeds of approximately HK\$879.0 million raised and approximately HK\$401.5 million of such net proceeds had been used to repay the other borrowings and promissory notes of the Company during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL STRUCTURE

As at 30 September 2016, the total number of issued shares of the Company was 6,474,000,000 with par value of HK\$0.025 each (31 March 2016: 24,900,000,000 shares with par value of HK\$0.001 each). Changes in capital structure of the Company during the six months ended 30 September 2016 were as follows:

Share Consolidation, Increase in Authorised Share Capital and Rights Issue

On 24 March 2016, the Company proposed the share consolidation (the “**Share Consolidation**”) on the basis of every twenty-five (25) issued and unissued shares of the Company of HK\$0.001 each into one (1) consolidated share of HK\$0.025 (the “**Consolidated Share**”), and proposed to raise approximately HK\$904 million, before expenses, by the way of the rights issue (the “**Rights Issue**”) of 5,478,000,000 rights shares of HK\$0.025 each (the “**Rights Shares**”) to the qualifying Shareholders at the subscription price of HK\$0.165 per Rights Share on the basis of eleven (11) Rights Shares for every two (2) Consolidated Shares held on the record date of 24 June 2016. Moreover, in order to facilitate the Rights Issue, the Company proposed to increase its authorised share capital from HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares to HK\$400,000,000 divided into 16,000,000,000 Consolidated Shares by creating additional 8,000,000,000 unissued Consolidated Shares (the “**Increase in Authorised Share Capital**”). The relevant ordinary resolutions approving the Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue were passed at the extraordinary general meeting of the Company held on 14 June 2016, thus the Share Consolidation and the Increase in Authorised Share Capital became effective on 15 June 2016. The Rights Issue was completed on 20 July 2016 with net proceeds of approximately HK\$879.0 million (the “**Net Proceeds**”) raised and the total issued share capital of the Company increased to 6,474,000,000 shares of HK\$0.025 each since then and as at the date of this report.

As stated in the prospectus of the Rights Issue, the Net Proceeds would be intended to be used (i) as to approximately HK\$420 million for repayment of the debt of the Group and (ii) the remaining balance of approximately HK\$460 million for the proposed acquisition of certain equity interest in 桂林廣維文華旅遊文化產業有限公司 (Guilin Guangwei Wenhua Tourism and Culture Industry Company Limited[#]), a company established in the PRC, which operates the famous and award winning show “印象 • 劉三姐 Impression • Liu Sanjie[#]” in Yangshuo, Guangxi Province, the PRC. As this

[#] The English name of the Chinese entitle is translation of its Chinese name and is included herein for identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

proposed acquisition automatically lapsed on 20 August 2016, the remaining balance of the Net Proceeds would be used for other possible acquisition opportunities or the repayment of the outstanding debts of the Company, as stated in the prospectus of the Rights Issue. As at 30 September 2016, out of the Net Proceeds, approximately HK\$401.5 million has been applied for repayment of debts of the Company and approximately HK\$88.9 million has been used for other acquisitions.

For further details of the Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue, please refer to the announcements of the Company dated 24 March 2016, 20 April 2016, 9 May 2016, 16 May 2016, 23 May 2016, 26 May 2016, 14 June 2016, 15 June 2016 and 20 July 2016, the circular of the Company dated 27 May 2016 and the prospectus of the Company dated 27 June 2016.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and the PRC with most of the operating transactions, revenue, expenses, monetary assets and liabilities denominated in Hong Kong dollars and Renminbi. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if it arises. Therefore, the Group has not engaged in any derivative to hedge its exposure to foreign exchange risk.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Proposed Acquisition and Subscription of Shares

On 30 September 2016, the Group as the purchaser entered into a sale and purchase agreement (the "**Agreement**") with Boill International Co., Limited as the vendor (the "**Vendor**"), pursuant to which the Group conditionally agreed to purchase, and the Vendor conditionally agreed to dispose of, 68% of the issued share capital of Anway Real Estate Limited (the "**Target Company**") (a wholly-owned subsidiary of the Vendor) together with assignment of the 68% of a shareholder's loan in the amount of approximately HK\$781.4 million owed by the Target Company to the Vendor as at the date of the Agreement, subject to further adjustment (if any) at the completion date to the Group at a cash consideration of HK\$1,100 million (the "**Proposed Acquisition**"). The Target Company, through its wholly owned subsidiary in the PRC, collectively owns,

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

manages and operates a property which is based in Songjiang District in Shanghai, the PRC. Upon the completion of the Proposed Acquisition, the Target Company will become a non-wholly-owned subsidiary of the Company.

On 30 September 2016, the Company entered into the subscription agreement (the “**Subscription Agreement**”) with Liyao Investment Limited as the subscriber (the “**Subscriber**”), pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, in aggregate 2,600,000,000 shares of the Company (the “**Subscription Shares**”) at the subscription price of HK\$0.20 per Subscription Share for an aggregate amount of HK\$520 million (the “**Subscription**”).

The Subscription Shares to be allotted and issued under the Subscription represent (i) approximately 40.16% of the issued share capital of the Company as at the date of this report; and (ii) approximately 28.65% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares. The net cash proceeds from the issue of the Subscription Shares pursuant to the Subscription Agreement, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$517 million. The Company intends to apply the net proceeds of the Subscription for the purpose of settling part of the consideration of the Proposed Acquisition.

As the applicable percentage ratios in respect of the Proposed Acquisition as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%, the Proposed Acquisition (together with the Subscription) constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules. For further details of the Proposed Acquisition and the Subscription, please refer to the announcements of the Company dated 30 September 2016 and 28 October 2016. A circular containing, among other things, further details of the Proposed Acquisition and the Subscription would be despatched to the Shareholders.

Save for the Disposal, the Proposed Acquisition and as disclosed elsewhere in this report, there was no significant investment, acquisition or disposal of subsidiaries and associated companies that should be notified to the Shareholders during the six months ended 30 September 2016. The performance and prospect of the significant investments of the Group during the period under review were discussed under the sections of “Investment Securities” above.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CAPITAL COMMITMENTS

Save as disclosed in note 18(b) to the interim condensed consolidated financial information, the Group had no other capital commitments as at 30 September 2016 and 31 March 2016.

CONTINGENT LIABILITIES

As at 30 September 2016, there were three outstanding cases (31 March 2016: five) for compensation and personal injuries claims, against the Group by the employees of the subcontractors and the employees of the Group in respect of the foundation business. The claims were related to the employees of the subcontractors and the employees of the Group who alleged to have suffered from bodily injuries during their course of work and employment in the Group's construction sites. The claims are dealt with and handled by the insurers and are covered by mandatory insurance. The Directors assessed the cases and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the cases in the consolidated financial statements.

Save as disclosed above, the Group had no significant contingent liabilities as at 30 September 2016 and 31 March 2016.

CHANGE OF DIRECTORS

Appointment

Dr. Wong Yun Kuen has been appointed as an executive Director and Mr. Eric Todd has been appointed as an independent non-executive Director with effect from 5 July 2016 and 18 July 2016 respectively. Details of which were set out in the announcements of the Company dated 5 July 2016 and 18 July 2016 respectively.

Resignation

Mr. Wang Xin has resigned as an executive Director with effect from 22 August 2016. Details of which were set out in the announcement of the Company dated 22 August 2016.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EVENTS AFTER THE REPORTING PERIOD

Save for the Proposed Acquisition and as disclosed elsewhere in this report, there was no material event after the reporting period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group had 258 employees (31 March 2016: 240 employees). Total employee costs for the six months ended 30 September 2016 amounted to approximately HK\$70.8 million (six months ended 30 September 2015: HK\$67.5 million).

The employee remuneration packages of the Group are maintained at competitive levels and employees are rewarded through the Group's salary and bonus system. The Group provides adequate job training to the employees to equip them with practical knowledge and skills.

INTERIM DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

DISCLOSURE OF INTEREST

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

As at 30 September 2016, none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rules.

DISCLOSURE OF INTEREST (continued)

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2016, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of Interest	Long/short position	No. of Shares held	Approximate Percentage of Shareholding
Liyao Investment Limited (Note 1)	Beneficial owner (Note 2)	Long position	2,600,000,000	40.16%
Qiu Dongfang	Interest in controlled corporation (Note 2)	Long position	2,600,000,000	40.16%

Notes:

- (1) On 30 September 2016, the Company entered into the Subscription Agreement with Liyao Investment Limited as the Subscriber pursuant to which Liyao Investment Limited conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, in aggregate 2,600,000,000 Subscription Shares at the subscription price of HK\$0.20 per Subscription Share.
- (2) Liyao Investment Limited is a company incorporated in the British Virgin Islands and is 100% owned by Mr. Qiu Dongfang.

Save as disclosed above, as at 30 September 2016, the Company had not been notified of any other persons (other than a Director and chief executive of the Company) who had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 22 September 2013 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the Directors may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisor of the Group, or any substantial Shareholder, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to their contribution to the development and growth of the Group.

During the annual general meeting of the Company held on 8 September 2016, the existing scheme mandate limit in respect of granting of options to subscribe for shares of the Company under the Scheme was refreshed and renewed provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit, that is 647,400,000 shares of the Company. Subject to the approval of the Shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme in any 12-month period up to date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such participant and his associates abstaining from voting.

SHARE OPTION SCHEME (continued)

Share options granted to a Director, chief executive or substantial Shareholder, or any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the grantee). Where any share options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates would result in the total number of shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK\$5 million must be approved in advance by the Shareholders.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the Directors and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

The Scheme shall be valid and effective for a period of ten years commencing on 22 September 2013, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 30 September 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with all the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code (the “**CG Code**”) as stated in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2016 except the following deviations:

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Mock Wai Yin (“**Mr. Mock**”) acts as the Chairman and the Company does not have any offices with title of “Chief Executive Officer”. Mr. Mock together with other executive Directors are responsible for the overall business strategy and development and management of the Group. The Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Company. However, the Board will also review regularly the board composition and appoint a Chief Executive Officer if a suitable person is identified.

Code Provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders of the company. Due to personal commitments, Mr. Chui Kwong Kau, the non-executive Director, was unable to attend the extraordinary general meeting of the Company held on 15 June 2016; Mr. Lam Chi Wai and Ms. Thadani Jyoti Ramesh, the independent non-executive Directors, were unable to attend the extraordinary general meetings of the Company held on 14 June 2016 and 15 June 2016; and Ms. Lau Mei Ying, the independent non-executive Director, was unable to attend the extraordinary general meetings of the Company held on 14 June 2016 and 15 June 2016, and annual general meeting of the Company held on 8 September 2016.

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors’ transactions of the listed securities of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

The Company has made specific enquiry to all Directors, and all Directors confirmed that they have complied with the Model Code throughout the six months ended 30 September 2016.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Group's independent auditors.

The Audit Committee comprises of three independent non-executive Directors, namely Mr. Lam Chi Wai (committee chairman), Ms. Lau Mei Ying and Ms. Thadani Jyoti Ramesh.

The Audit Committee had reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2016 and this interim report. The Audit Committee had confirmed that this interim report complied with all the applicable rules and regulations, including but not limited to the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

By Order of the Board
Ngai Shun Holdings Limited
Mock Wai Yin
Executive Director and Chairman

Hong Kong

25 November 2016

In case of any inconsistency, the English text of this report shall prevail over the Chinese text.