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## Shihua Development Company Limited 實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

#### INTERIM RESULTS

The Board of Directors of Shihua Development Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2015 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	NOTES	Six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Turnover	3	214,034	186,783
Cost of sales		<u>(161,919)</u>	<u>(162,368)</u>
Gross profit		52,115	24,415
Other income	4	91	6,963
Distribution costs		(20,230)	(16,360)
Administrative expenses		(26,932)	(34,722)
Other gains and losses	5	(4,884)	(1,448)
Interest expenses		(5,965)	(2,912)
Share of profits of an associate		98	73
Decrease in fair value of an investment property under construction		(2,307)	–
Increase in fair value of investment properties		–	5,704
Loss arising from the issue of convertible bonds		–	(38,536)
Loss arising from distribution in specie of shares in a subsidiary	22	<u>–</u>	<u>(138,946)</u>

		<b>Six months ended 30 September</b>	
		<b>2015</b>	2014
	<i>NOTES</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Loss before taxation	6	<b>(8,014)</b>	(195,769)
Tax (expense) credit	7	<b>(2,991)</b>	743
Loss for the period		<b><u>(11,005)</u></b>	<u>(195,026)</u>
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		<b>(3,119)</b>	416
Release upon distribution in specie of shares in a subsidiary	22	–	(795)
Other comprehensive expense for the period		<b><u>(3,119)</u></b>	<u>(379)</u>
Total comprehensive expense for the period		<b><u>(14,124)</u></b>	<u>(195,405)</u>
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(12,978)</b>	(194,174)
Non-controlling interests		<b>1,973</b>	(852)
		<b><u>(11,005)</u></b>	<u>(195,026)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<b>(16,218)</b>	(194,556)
Non-controlling interests		<b>2,094</b>	(849)
		<b><u>(14,124)</u></b>	<u>(195,405)</u>
Loss per share		<b><i>HK cents</i></b>	<i>HK cents</i>
– Basic and diluted	9	<b><u>(0.50)</u></b>	<u>(9.58)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2015**

	<i>NOTES</i>	<b>30.9.2015</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.3.2015 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>4,067</b>	3,639
Investment property under construction	<i>11</i>	<b>201,219</b>	–
Goodwill		<b>17,665</b>	17,665
Interest in an associate		<b>6,643</b>	6,845
Deferred tax assets		<b>15,267</b>	18,258
Long-term prepayments		<b>457</b>	746
Deposits paid for a property		<b>112,530</b>	76,600
		<hr/> <b>357,848</b> <hr/>	<hr/> 123,753 <hr/>
<b>Current assets</b>			
Inventories		<b>98,942</b>	75,123
Debtors, deposits and prepayments	<i>12</i>	<b>175,855</b>	43,993
Investments held for trading		<b>502</b>	453
Bank balances and cash		<b>57,650</b>	36,718
		<hr/> <b>332,949</b> <hr/>	<hr/> 156,287 <hr/>
<b>Current liabilities</b>			
Creditors and accrued charges	<i>13</i>	<b>178,052</b>	90,741
Promissory note	<i>14</i>	<b>208,276</b>	–
Amount due to a shareholder	<i>15</i>	<b>172</b>	172
Amount due to immediate holding company	<i>15</i>	<b>18,543</b>	14,871
Borrowings	<i>16</i>	<b>66,619</b>	–
		<hr/> <b>471,662</b> <hr/>	<hr/> 105,784 <hr/>

	<i>NOTES</i>	<b>30.9.2015</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.3.2015 <i>HK\$'000</i> (audited)
<b>Net current (liabilities) assets</b>		<u><b>(138,713)</b></u>	<u>50,503</u>
<b>Total assets less current liabilities</b>		<u><b>219,135</b></u>	<u>174,256</u>
<b>Non-current liabilities</b>			
Long-term creditors		<b>15,011</b>	20,081
Convertible bonds	<i>17</i>	<u><b>60,494</b></u>	<u>56,875</u>
		<u><b>75,505</b></u>	<u>76,956</u>
<b>Net assets</b>		<u><u><b>143,630</b></u></u>	<u><u>97,300</u></u>
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>292,057</b>	243,381
Reserves		<u><b>(165,860)</b></u>	<u>(161,337)</u>
<b>Equity attributable to owners of the Company</b>		<b>126,197</b>	82,044
<b>Non-controlling interests</b>		<u><b>17,433</b></u>	<u>15,256</u>
<b>Total equity</b>		<u><u><b>143,630</b></u></u>	<u><u>97,300</u></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015*

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by HK\$138,713,000 as at 30 September 2015 and the Group incurred loss for the period of HK\$11,005,000 and HK\$195,026,000 (including loss arising from distribution in specie of shares in a subsidiary of HK\$138,946,000) for the six months ended 30 September 2015 and 30 September 2014, respectively. Included in the net current liabilities of HK\$138,713,000 is promissory note of HK\$208,276,000, which is repayable on demand when the Company has generated, obtained and/or raised fund for not less than HK\$200,000,000.

On 7 October 2015, the Company proposed to raise gross proceeds of HK\$251,169,000 by way of the issue of 2,920,568,484 offer shares at the subscription price of HK\$0.086 per offer share on the basis of four offer shares for every one adjusted share (details are set out in the Company’s announcement dated 7 October 2015). The proceeds would be used for the settlement of promissory note, amount due to a shareholder and amount due to immediate holding company with carrying amounts of HK\$208,276,000, HK\$172,000 and HK\$18,543,000, respectively, as at 30 September 2015. The open offer is subject to approval from shareholders in the special general meeting on 21 December 2015 and has not been completed at the date of approval of condensed consolidated financial statements. If the open offer is approved, part of the proceeds will be used to settle the promissory note. If not, while the Company cannot generate, obtain and/or raise fund for not less than HK\$200,000,000 in other ways within twelve months after the reporting period, there is no need for the Company to repay the promissory note in the coming year. By excluding the promissory note from net current liabilities, there will be net current assets of HK\$69,563,000. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measurement at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

## **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or development is completed, in which time any difference between the fair value and the carrying amount will be recognised in profit or loss in that period.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2015.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

The Group is organised into three operating divisions, namely design, manufacture and sale of electronic products (representing consumer electronic audio and video equipment, karaoke equipment and accessories), property investment and securities trading. These divisions are the basis on which the Group reports its segment information.

#### Segment revenue and results

An analysis of the Group's revenue, which represents sales of goods, and results by reportable and operating segments is as follows:

#### For the six months ended 30 September 2015

	<b>Design and sale of electronic products HK\$'000 (unaudited)</b>	<b>Property investment HK\$'000 (unaudited)</b>	<b>Securities trading HK\$'000 (unaudited)</b>	<b>Consolidated HK\$'000 (unaudited)</b>
TURNOVER	<u>214,034</u>	<u>-</u>	<u>-</u>	<u>214,034</u>
SEGMENT RESULTS	<u>2,599</u>	<u>(2,307)</u>	<u>48</u>	<u>340</u>
Interest income				17
Unallocated expenses				(2,504)
Share of profits of an associate				98
Interest expenses				<u>(5,965)</u>
Loss before taxation				<u>(8,014)</u>

**For the six months ended 30 September 2014**

	Design, manufacture and sale of electronic products <i>HK\$'000</i> (unaudited)	Property investment <i>HK\$'000</i> (unaudited)	Securities trading <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
TURNOVER	186,783	–	–	186,783
SEGMENT RESULTS	(25,847)	11,586	(65)	(14,326)
Interest income				6
Unallocated expenses				(1,128)
Share of profits of an associate				73
Loss arising from the issue of convertible bonds				(38,536)
Loss arising from distribution in specie of shares in a subsidiary				(138,946)
Interest expenses				(2,912)
Loss before taxation				(195,769)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the results from each operating segment without allocation of central administration costs incurred by head office, share of results of an associate, interest income, loss arising from the issue of convertible bonds, loss arising from distribution in specie of shares in a subsidiary and interest expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

**4. OTHER INCOME**

	<b>Six months ended 30 September</b>	
	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Other income includes:		
Rental income	–	5,931
Interest income	17	6
Others	74	1,026
	<b>91</b>	6,963



## 5. OTHER GAINS AND LOSSES

<b>Six months ended 30 September</b>	
<b>2015</b>	<b>2014</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>

Other (losses) gains comprise:

Reversal of bad debts written off	–	13
Exchange loss, net	<b>(4,365)</b>	(892)
Allowance for doubtful debts	<b>(567)</b>	(507)
Increase (decrease) in fair value of investments held for trading	<b>48</b>	(62)
	<u><b>(4,884)</b></u>	<u>(1,448)</u>

## 6. LOSS BEFORE TAXATION

<b>Six months ended 30 September</b>	
<b>2015</b>	<b>2014</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>

Loss before taxation has been arrived at after charging (crediting):

Allowance for (reversal of allowance for) obsolete and slow-moving inventories (included in cost of sales)	<b>41</b>	(3,667)
Depreciation of property, plant and equipment	<b>544</b>	2,029
Interest expenses on:		
– bank overdrafts	–	42
– borrowings wholly repayable within five years	<b>1,230</b>	1,430
– convertible bonds/notes	<b>4,735</b>	1,440
Minimum lease payments under operating leases in respect of rented premises	<b>2,664</b>	3,054
Release of prepaid lease payments	–	60
Staff cost including directors' remuneration and share-based payment	<u><b>10,560</b></u>	<u>25,426</u>

## 7. TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge (credit) comprises:		
Taxation in other jurisdictions		
Current period	–	570
Overprovision in prior period	–	(86)
	–	484
Deferred taxation	<u>2,991</u>	<u>(1,227)</u>
	<u>2,991</u>	<u>(743)</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2014: 16.5%) of the estimated assessable profit for the period. No provision of Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2014: 25%). No provision of Enterprise Income Tax has been made as the Group did not have any assessable income for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 8. DIVIDEND

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Special dividends by way of distribution in specie of shares in a subsidiary	–	124,062

On 26 June 2014, the Company made a distribution in specie of shares in a subsidiary, SIH Limited ("SIH"), to the shareholders of the Company, 2,033,808,485 shares in SIH were distributed to the shareholders whose names appeared on the register of members of the Company on the same date. Details of the assets and liabilities distributed are set out in note 22.

Other than the special dividends, the directors of the Company have determined that no dividends will be paid in respect of the interim period (six months ended 30 September 2014: nil).

## 9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(12,978)</b>	(194,174)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>2,598,721,709</b>	2,026,793,200

For the period ended 30 September 2015 and 2014, the calculation of diluted loss per share does not assume the conversion of the outstanding convertible bonds as it would result in a decrease in the loss per share.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group spent HK\$972,000 (six months ended 30 September 2014: HK\$447,000) on purchase of property, plant and equipment and property, plant and equipment of nil (six months ended 30 September 2014: HK\$14,040,000) were disposed of by way of distribution in specie of shares in a subsidiary.

## 11. INVESTMENT PROPERTY UNDER CONSTRUCTION

During the six months ended 30 September 2015, the Group purchased an investment property under construction at a consideration of HK\$208,276,000 (six months ended 30 September 2014: nil).

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2015, debtors, deposits and prepayments includes trade debtors of HK\$161,042,000 (31 March 2015: HK\$30,562,000). The aging analysis of trade debtors net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective recognition dates, is as follows:

	<b>30.9.2015</b>	<b>31.3.2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
0 – 30 days	<b>130,283</b>	11,938
31 – 60 days	<b>19,017</b>	6,486
61 – 90 days	<b>10,413</b>	5,633
Over 90 days	<b>1,329</b>	6,505
	<b>161,042</b>	30,562

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers.

### 13. CREDITORS AND ACCRUED CHARGES

At 30 September 2015, creditors and accrued charges includes trade creditors of HK\$133,394,000 (31 March 2015: HK\$22,407,000). The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	<b>30.9.2015</b> <i>HK\$'000</i> (unaudited)	31.3.2015 <i>HK\$'000</i> (audited)
0 – 30 days	96,623	8,451
31 – 60 days	17,510	1,990
61 – 90 days	4,106	2,554
Over 90 days	15,155	9,412
	<u>133,394</u>	<u>22,407</u>

The average credit period on purchases of goods is 90 days.

### 14. PROMISSORY NOTE

The amount is denominated in Hong Kong dollars, unsecured, interest free and repayable on demand when the Company has generated, obtained and/or raised fund for not less than HK\$200,000,000. As the Company does not have a conditional right to defer the settlement, the promissory note is classified as current liabilities.

### 15. AMOUNTS DUE TO A SHAREHOLDER/IMMEDIATE HOLDING COMPANY

The amounts are interest-free, unsecured and repayable on demand.

### 16. BORROWINGS

	<b>30.9.2015</b> <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>
Short term bank loans	<u>66,619</u>	<u>–</u>

*Notes:*

- (a) The amount was denominated in United States Dollar.
- (b) The Group's borrowings were secured by all tangible and intangible assets of a subsidiary of the Group.
- (c) The interest bearing of revolving credit facility at PNC Base Rate floating plus 2% or 1, 2 or 3 month fully absorbed PNC LIBOR Rate plus 3.50%.

## 17. CONVERTIBLE BONDS

On 30 July 2014, the Company issued 3% coupon convertible bonds (the “Bonds”) at a principal amount of HK\$75,000,000 maturing on 30 July 2017 to Achieve Prosper Capital Limited, the immediate holding company of the Company. The Bonds are denominated in Hong Kong dollars and the Company agrees to guarantee payment of all sums payable in relation to the Bonds. Interest of 3% per annum will be paid half-annually up until the settlement date.

The Bonds are convertible, at the option of the bond holder, into ordinary shares of HK\$0.1 each of the Company at a conversion price of HK\$0.172 per share, subject to anti-dilutive adjustments, at any time on or after 30 July 2014 up to and including the maturity date. Unless previously redeemed, converted or purchased and cancelled, the outstanding Bonds will be redeemed by the Company at 100% of its principal amount on the maturity date.

At initial recognition, the Bonds are split into an equity component of HK\$61,480,000 and a liability component of HK\$52,056,000. The liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 16.21% per annum, being the average yield of similar financial instruments with similar credit rating and structure but without the call conversion option, which incorporated appropriate adjustments to reflect possible impact of country factors, firm specific risk and liquidity risk.

The equity component is presented as convertible bonds reserve in equity, whereas the liability component is classified under non-current liabilities at 30 September 2015 and 31 March 2015.

The movement of the liability component of the Bonds for the current and prior period is set out below:

	<i>HK\$'000</i> (unaudited)
Liability component at date of issue	52,056
Transaction costs attributable to the liability component of the Bonds	<u>(97)</u>
	51,959
Imputed interest expense for the period	5,865
Coupon interest paid	<u>(949)</u>
	56,875
At 31 March 2015	56,875
Imputed interest expense for the period	4,735
Coupon interest paid	<u>(1,116)</u>
	60,494
At 30 September 2015	<u><u>60,494</u></u>

None of the Bonds has been converted into ordinary shares of the Company during the period.

## 18. SHARE CAPITAL

Ordinary shares of HK\$0.1 each	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2014	2,013,430,751	201,343
Issue of shares upon exercise of share options	20,377,734	2,038
At 30 September 2014	2,033,808,485	203,381
Issue of shares ( <i>note a</i> )	400,000,000	40,000
At 31 March 2015	2,433,808,485	243,381
Placing of shares ( <i>note b</i> )	486,760,000	48,676
At 30 September 2015	2,920,568,485	292,057

All shares issued rank pari passu in all respects with the then existing shares in all aspects.

### Notes:

- (a) In February 2015, the Company issued 400,000,000 shares of HK\$0.1 each at HK\$0.16 per share as partial payment of the deposit paid for acquisition of a property.
- (b) On 30 July 2015, the Company issued 486,760,000 ordinary shares of HK\$0.1 each at HK\$0.124 per share by way of placing.

## 19. CAPITAL COMMITMENT

	30.9.2015 HK\$'000 (unaudited)	31.3.2015 HK\$'000 (audited)
Capital expenditure in respect of acquisition of properties contracted for but not provided in the condensed consolidated financial statements	56,604	264,976

## 20. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions:

- (a) During the six months ended 30 September 2015, the Company paid coupon interest of HK\$1,116,000 to the immediate holding company of the Company (six months ended 30 September 2014: nil).
- (b) During the six months ended 30 September 2015, the Group purchased an investment property under construction at a consideration of HK\$208,276,000 from 遼寧實華(集團)房地產開發有限公司, the ultimate holding company of the Company, by way of issue promissory note (see note 14) (six months ended 30 September 2014: nil).
- (c) During the six months ended 30 September 2014, the Group paid salaries and other short term employee benefits of HK\$146,000 to certain close family members of Mr. Lau Sak Hong, Philip, a former director and a former substantial shareholder of the Company, as employees of the Group (six months ended 30 September 2015: nil).
- (d) Compensation of key management personnel

The remuneration of directors and other member of key management during the period was as follows:

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Salaries and other short term employee benefits	<b>312</b>	2,008
Retirement benefit scheme contributions	<b>–</b>	28
	<b>312</b>	<b>2,036</b>

## 21. CONTINGENT LIABILITIES

There are no significant contingent liabilities as at 30 September 2015 and 31 March 2015.

## 22. DISTRIBUTION IN SPECIE OF SHARES IN A SUBSIDIARY

On 26 June 2014, the Company made a distribution in specie of shares in a subsidiary, SIH, to the shareholders of the Company, 2,033,808,485 shares in SIH were distributed to the shareholders whose names appeared on the register of members of the Company on the same date.

The net assets of SIH and its subsidiaries were as follows:

	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Investment properties	233,300
Property, plant and equipment	14,040
Inventories	3,926
Debtors, deposits and prepayments	123,693
Bank balances and cash	17,609
Creditors and accrued charges	(157,546)
Deferred tax liabilities	(481)
Taxation payable	(34)
Borrowings	(54,750)
	<hr/>
Net assets transferred	179,757
	<hr/> <hr/>
Loss arising from distribution in specie of shares in a subsidiary:	
Fair value of shares in a subsidiary	124,062
Net assets transferred	(179,757)
Reinstatement of the balances among the Group and SIH and its subsidiaries	(86,167)
Non-controlling interests	2,121
Release of translation reserve	795
	<hr/>
	(138,946)
	<hr/> <hr/>
Net cash outflow from distribution in specie of shares in a subsidiary	
Bank balances and cash	(17,609)
	<hr/> <hr/>

## 23. EVENT AFTER THE REPORTING PERIOD

On 7 October 2015, the directors of the Company proposed to effect a capital reorganisation and raise gross proceeds of HK\$251,169,000 by way of open offer (details are set out in the Company's announcement dated 7 October 2015). Up to date of approval of the condensed consolidated financial statements, the capital reorganisation and open offer are subject to approval from shareholders in the special general meeting on 21 December 2015 and have not been completed.



## **GROUP RESULTS**

For the six months ended 30 September 2015, the Group recorded a turnover of HK\$214 million, an increase of 15% compared to the turnover of HK\$187 million for the corresponding period in 2014.

The gross profit margin in the six months ended 30 September 2015 was 24% compared to the gross profit margin of 13% in the comparable period in 2014.

The loss before taxation reduced from HK\$196 million in the previous period to HK\$8 million due to the completion of the Group Restructuring and no further one-off losses for the six months ended 30 September 2015.

## **REVIEW AND PROSPECTS**

After the financial year of 2015, the Group completed the Group Restructuring to separate the distributed business and the scheme business from the remaining business. The Group's remaining business is in the design and sale of a wide range of electronic products.

Starting from the 2nd quarter of 2015, the revenue of the Group is mainly generated from the trading of electronic products in overseas. By the growth of the sales orders and selling prices of the electronic products from the existing customers, the Group's turnover has increased to approximately HK\$214 million for the six months ended 30 September 2015, representing an increase of HK\$27 million as compared to the corresponding period of the previous year. At the same time, the steady growth of the sales activities also leads to the increase of the distribution costs by HK\$4 million to HK\$20 million for the six months ended 30 September 2015 as compared to HK\$16 million for the same period in the previous year. In addition, the administrative expenses has slightly decreased from HK\$35 million in 2014 to HK\$27 million in this year.

As a result, the loss before taxation has sharply decreased to HK\$8 million for the six months ended 30 September 2015 as compared to the loss before taxation of HK\$196 million for the same period in previous year.

It has been the Group's business strategy to diversify its business and further enhancing the Shareholders' value. Apart from the current trading business of the electronic products, the management of the Group is in the view that the two acquisitions entered by the Group in the current year will broaden the revenue stream of the Group. Furthermore, the Group is also seeking for any possible business opportunities, including the properties investment and renewable energy business and other areas in order to enhance the value for the Group and generate better return to the Shareholders in the future.

## **FINANCIAL POSITION**

### **Liquidity and financial resources**

As at 30 September 2015, cash and bank deposits amounted to HK\$58 million, as compared to HK\$37 million as at 31 March 2015.

Gearing ratio calculated as total interest bearing borrowings which excludes convertible bonds was 0.65 (31 March 2015: 0.11), current ratio calculated as current assets to current liabilities was 0.71 (31 March 2015: 1.48).

In the management of liquidity risk, the Group monitors and maintains its level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### **Financing and capital structure**

The Group finances its operations by combination of equity and borrowings. As at 30 September 2015, the Group's total interest bearing borrowings was HK\$82 million (31 March 2015: HK\$9 million), of which the whole amount is repayable within one year. Net borrowings is HK\$24 million (31 March 2015: nil). The Group's transactions were mostly denominated in US dollars and HK dollars. The exposure to exchange risk was insignificant and had not employed any financial instruments for hedging purposes.

## **STAFF**

As at 30 September 2015, the Group had a total staff of 43 of which 30 were employed in the overseas for the Group's marketing and distribution business.

The Group provides employee benefits such as health insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

## **CORPORATE GOVERNANCE**

The Company has met the code provisions of the Corporate Governance Code ("the Code") as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 September 2015 except the code provision A.6.7 of the CG Code, the non-executive director, Mr. Li Jun and the independent non-executive director Mr. Yang Xin Hua were unable to attend the annual general meeting of the Company held on 2 September 2015 due to other business commitments.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 September 2015.

## **AUDIT COMMITTEE**

The Company has established an audit committee currently comprising Mr. Yang Xin Hua, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny. Terms of reference of the audit committee have been updated in compliance with the Code. The audit committee together with the management of the Company has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2015.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2015, there was no purchase, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the websites of the Company ([www.00485.hk](http://www.00485.hk)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The interim report of the Company for the six months ended 30 September 2015 containing all information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

For and on behalf of  
**Shihua Development Company Limited**  
**Wang Jing**  
*Chairman*

Hong Kong, 30 November 2015

*As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao, Mr. Chen Wan Jin and Mr. Zhao Shuang as executive Directors; Mr. Li Jun as non-executive Director; and Mr. Yang Xin Hua, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny as independent non-executive Directors.*