



COME SURE

Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 00794

2017

INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. CHONG Kam Chau (*Chairman*)
Mr. CHONG Wa Pan (*Chief Executive Officer and President*)
Mr. CHONG Wa Ching

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man
Mr. LAW Tze Lun

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law:

Loong & Yeung
Room 1603, 16/F
China Building
29 Queen's Road Central
Hong Kong

As to Cayman Islands law:

Appleby
Suites 2206–19
Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

Guangdong Rongan Solicitors
Room 704, Block 1
Dongjiang Haoyuan
1 Longjing Road
Baoan District
Shenzhen, PRC

AUDITOR

HLM CPA Limited
Room 305, Arion Commercial Centre
2–12 Queen's Road West
Hong Kong

VALUERS

Grant Sherman Appraisal Limited
Unit 1005, 10/F, AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 8–10, 8th Floor
Cornell Centre
50 Wing Tai Road
Chai Wan
Hong Kong

COMPANY WEBSITE ADDRESS

www.comesure.com

COMPANY SECRETARY

Ms. BOK Yuk Wan

AUTHORISED REPRESENTATIVES

Mr. CHONG Wa Pan
Mr. CHONG Wa Ching

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE UNDER PART XI OF THE COMPANIES ORDINANCE

Mr. CHONG Wa Ching

MEMBERS OF AUDIT COMMITTEE

Mr. LAW Tze Lun (*Chairman*)
Mr. CHAU On Ta Yuen
Ms. TSUI Pui Man

MEMBERS OF REMUNERATION COMMITTEE

Ms. TSUI Pui Man (*Chairman*)
Mr. CHAU On Ta Yuen
Mr. LAW Tze Lun
Mr. CHONG Wa Pan

MEMBERS OF NOMINATION COMMITTEE

Ms. TSUI Pui Man (*Chairman*)
Mr. CHAU On Ta Yuen
Mr. LAW Tze Lun
Mr. CHONG Wa Pan

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
G/F, The Centre
99 Queen's Road Central
Central
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATION

iRegular Consulting Limited
RM 3603, 36/F, COSCO Tower
183 Queen's Road Central
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the six months ended 30 September 2017 (the “**Period**”), the People’s Republic of China (the “**PRC**” or “**China**”) continued its gradual growth pace from the economic structural transformation. According to the information from the National Bureau of Statistics of China (the “**NBSC**”), the average gross domestic product (the “**GDP**”) growth rate reached 6.9% during the first nine months of 2017, representing a year-on-year (“**YOY**”) increase of 0.2% as compared to 6.7% for the last corresponding period. Moreover, the trend of consumer goods industry increased by 7.8% YoY during the first nine months of 2017. The robust consumption impetus showed the effects under the PRC’s supply-side structural reform.

During the Period, online shopping remained the major driver for consumption. As stated in the China E-Business Research Center’s latest report dated 19 September 2017, the total trading value of e-commerce in the PRC recorded Renminbi (“**RMB**”) 13.35 trillion for the first half of 2017, representing a YoY increase of 27.1%. In line with the shifting consumer trends and expectations, the logistics and paper packaging industries had been revolutionizing in terms of both demand and product quality. Moreover, during the Period, the PRC government further implemented stringent environmental inspections, by raising the quality requirements for import waste paper and raw materials. In the meantime, prices of paper and corrugated packaging were led to new heights due to the short supply in quality raw materials. According to the information from the NBSC, the Purchasing Price Index (the “**PPI**”) for woods and paper pulp experienced 5.3% increase for the first nine months of 2017. The circumstances gave cost pressure to most of the paper packaging companies, yet allowing the market leaders, which are capable of developing value-added products with advanced operating efficiency, to further consolidate their positions.

BUSINESS REVIEW

During the Period, in line with the positive paper packaging market trend, the Group managed to demonstrate a sustainable growth in its revenue and profit. The Group’s revenue significantly grew to approximately HK\$627.1 million for the Period, increased by approximately 61.5% as compared to approximately HK\$388.3 million for the last corresponding period. With the rise in revenue, both the gross profit and net profit of the Group increased to approximately HK\$142.4 million and approximately HK\$56.2 million respectively for the Period, as compared to approximately HK\$86.1 million and approximately HK\$5.0 million respectively for the last corresponding period.

Benefiting from the recent integration process between the Group’s Guangdong factories, the Group further enhanced its operation and production efficiency and was able to capture more market opportunities. The Guangdong operation of the Group attained a considerable revenue of approximately HK\$520.1 million for the Period, representing a YoY rise of 43.0% from approximately HK\$363.7 million. Meanwhile, the Group’s new Fujian Plant, which mainly focuses on production of corrugated paper board, had further expanded its revenue to approximately HK\$86.9 million during the Period. It has secured its market share in Fujian market since its commencement of operation in August 2016.

Despite the fact that the price of raw paper soared from the imbalance between market supply and demand, the Group was able to maintain the gross profit margin at approximately 22.7% during the Period (for the corresponding period in 2016: approximately 22.2%). It was mainly attributed to the Group’s prudent cost control and value-added products and service strategies that sustainably improved the Group’s profit margin. In particular, the Group’s structural-designed cartons and paperwares consume relatively less raw paper in production, comparing to the traditional paper packaging products from other manufacturers, that gave extra profit margin during the cost inflation on raw papers. During those periods with shortage of raw paper supply in the market, the Group continued to enjoy stable and sufficient supply through its long-term close business relationship with its suppliers. In addition, the Group spared no efforts in enhancing its product mix and carrying out comprehensive research on operation flows to strengthened its profitability and leadership position in paper packaging industry.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT OF OPERATION

	For the six months ended 30 September			
	2017		2016	
	HK\$'000	(%)	HK\$'000	(%)
<i>Sales of goods</i>				
PRC domestic sales	480,115	76.9	277,748	71.9
Domestic delivery export sales	122,038	19.5	92,589	24.0
Direct export sales	22,574	3.6	15,838	4.1
	624,727	100.0	386,175	100.0
<i>Properties investment</i>				
Rental income	2,420		2,113	
Total Revenue	627,147		388,288	
Gross profit margin (%)		22.7		22.2
Net profit margin (%)		9.0		1.3

REVENUE

During the Period, there has been a steady growth of demand for quality paper packaging products, while the outdated capacities were being phased out under the government's stringent environmental regulations. Being a paper packaging supplier focusing on quality and value-added products, the Group had well grasped the business opportunities from the industrial integration. Moreover, the Group's new Fujian plant which had commenced its operation since August 2016 was managed to explore the new market at Fujian and introducing more new customers to the Group. The Group's revenue thereby significantly increased by 61.5% during the Period to approximately HK\$627.1 million, as compared to approximately HK\$388.3 million for the corresponding period in 2016.

Guangdong operation

After the completion of the Group's business integration process last year, the operation and production efficiency between its factories in Shenzhen and Huidong was comprehensively improved. Driven by the enhanced skills and capacities, the sales at Guangdong location recorded a remarkable growth. The revenue for the Period from Guangdong operation increased to approximately HK\$520.1 million from approximately HK\$363.8 million for the corresponding period in 2016.

Guangdong operation continued to be the Group's main focus throughout the Period. To sustain high profit margin from structural-designed cartons and paperwares products, more resources and efforts were being contributed to related research and development. With renewed reputation and customer loyalty accumulated over years, as well as cumulative experience and capability in offering pre-eminent value-added products and services, the Group has been widely recognized by the mid-to-high end customers. The Group's average selling price for printed cartons and other paperwares increased by approximately 19.2% during the Period, and the corresponding revenue increased to approximately HK\$489.7 million, as compared to approximately HK\$343.7 million for the corresponding period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE *(Continued)*

Jiangxi operation

During the Period, the revenue generated from the Jiangxi operations was approximately HK\$17.7 million (for the last corresponding period in 2016: approximately HK\$18.1 million).

Fujian operation

Fujian plant had been developing smoothly since commencement. It contributed a revenue of approximately HK\$86.9 million to the Group with its major production of corrugated paper board during the Period.

GROSS PROFIT

In line with the increase in revenue, the Group's gross profit remarkably increased by approximately 65.4% to approximately HK\$142.4 million during the Period, as compared to approximately HK\$86.1 million for the corresponding period in 2016. Benefiting from the long-term close business relationship with suppliers, the Group still enjoyed stable and sufficient supply of raw paper during those periods with shortage of raw paper supply in the market. Meanwhile, the Group achieved effective cost control by constantly enhancing the production efficiency. Strategically focused on high quality structural-designed cartons and paperwares, with relatively less raw paper consumption in production, the Group was able to transfer certain cost pressure to its customers and brought competitive advantages to its profit margin. Therefore, the gross profit margin of the Group increased to approximately 22.7% during the Period, as compared to approximately 22.2% for the corresponding period in 2016.

Guangdong operation

The operation in Guangdong, including Shenzhen and Huidong, continued to contribute the most to the Group's gross profit. Equipped with advanced skills and technique in production, the production efficiency was enhanced, gross profit generated from Guangdong factories increased significantly to approximately HK\$128.0 million during the Period (for the corresponding period in 2016: approximately HK\$82.1 million), while gross profit margin rose to approximately 24.6% (for the corresponding period in 2016: approximately 22.6%).

Jiangxi operation

The gross profit and gross profit margin of the operation in Jiangxi during the Period were approximately HK\$2.7 million and approximately 15.2% respectively (for the corresponding period in 2016: approximately HK\$1.8 million and approximately 9.9% respectively).

Fujian operation

The operation of Fujian plant achieved a gross profit and gross profit margin of approximately HK\$10.2 million and approximately 11.7% respectively during the Period. As the corrugated paper board is the major product of Fujian plant, its gross profit margin is relatively lower than the corrugated printed cartons and paperwares manufactured by the Group. Yet, the Group believed that Fujian plant will constantly expand within the regional market and make a substantive contribution to the Group's profit.

SELLING AND ADMINISTRATIVE EXPENSES

In line with the increase in sales volume, the Group's selling expenses increased to approximately HK\$27.2 million during the Period (for the corresponding period in 2016: approximately HK\$23.4 million). Although the increased revenue and cost-push inflation caused an expected increase in administrative expenses, the Group continued to strengthen the internal cost control. Administrative expenses rose by approximately 17.7% to approximately HK\$56.5 million during the Period from approximately HK\$48.0 million for the corresponding period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE COSTS

Finance cost mainly occurred from bank loans for general working capital and capital expenditure. During the Period, the finance costs of the Group was approximately HK\$5.7 million, representing a slight increase of approximately 1.8% from approximately HK\$5.6 million for the corresponding period in 2016.

OTHER GAINS AND LOSSES

During the Period, other gains and losses of the Group recorded gains of approximately HK\$6.2 million. It mainly represented the fair value gains on investment properties amounting to HK\$3.1 million and gain on fair value changes of held for trading investments HK\$1.9 million (for the corresponding period in 2016: loss of approximately HK\$8.4 million).

WORKING CAPITAL

	30 September 2017 Turnover Days	31 March 2017 Turnover Days
Trade and bills receivables	74	89
Trade and bills payables	62	71
Inventories	45	45
Cash conversion cycle*	57	63

* Trade and bills receivable turnover days + Inventories turnover days — Trade and bills payables turnover days

In addition to achieving steady growth in its revenue during the Period, the Group continued to manage the credit risks by closely monitoring the credit worthiness and the collection history of its customers. In line with the increase in revenue, the trade and bills receivables as at 30 September 2017 were approximately HK\$289.2 million (as at 31 March 2017: approximately HK\$214.8 million), with trade and bill receivables turnover days was shortened to 74 days as compared to 89 days for the year ended 31 March 2017.

During the Period, trade and bills payable turnover days of the Group was 62 days as compared to 71 days for the for the year ended 31 March 2017. The trade and bills payables of the Group rose to approximately HK\$169.7 million as at 30 September 2017 from approximately HK\$158.1 million as at 31 March 2017. The Group will continue to maintain solid and steady relationship with its suppliers.

The Group remained its stringent control over the stock level in order to reduce the inventory risk associated. The inventories turnover days maintained at 45 days for both the Period and the year ended 31 March 2017. In addition to the rise in cost of raw papers, Fujian plant had been receiving considerable orders since its production commencement last year, inventories thereby increased by approximately 49.7% to approximately HK\$142.8 million as at 30 September 2017 from approximately HK\$95.4 million as at 31 March 2017.

The Group's efficient and effective operation control further reduced the liquidity risk, improved its financial strength and cash-flow. The cash conversion cycle of the Group was reduced to 57 days for the Period as compared to 63 days for the year ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

	30 September 2017	31 March 2017
Current ratio	1.04	0.96
Gear ratio	31.1%	37.0%

The principal sources of working capital of the Group remained to be the cash flow from operating activities and bank borrowings during the Period. As at 30 September 2017, the Group's bank balances and cash amounted to approximately HK\$188.7 million (as at 31 March 2017: approximately HK\$250.4 million), excluding pledged deposit and unused banking facilities of approximately HK\$123.2 million and approximately HK\$425.3 million, respectively.

The current assets held by the Group as at 30 September 2017 increased to approximately HK\$800.6 million, as compared to approximately HK\$762.0 million as at 31 March 2017; and the current liability of the Group decreased to approximately HK\$770.0 million from approximately HK\$794.4 million as at 31 March 2017. The current ratio (current assets divided by current liabilities) as at 30 September 2017 improved to approximately 1.04 (as at 31 March 2017: approximately 0.96).

As at 30 September 2017, the bank borrowings of the Group were mainly denominated in Hong Kong dollars, all carried floating interest rate and were secured, the total outstanding bank borrowings decreased to approximately HK\$421.3 million from approximately HK\$484.7 million as at 31 March 2017, of which approximately HK\$294.5 million was repayable within one year, approximately HK\$118.1 million of long-term loan was classified as current liabilities, and approximately HK\$8.7 million was repayable within two to more than five years, whereas the other loans of approximately HK\$8.2 million (as at 31 March 2017: approximately HK\$7.9 million) carried a fixed interest rate of 5% and were unsecured when repayable within one year.

The Group kept a sound liquidity position during the Period, with gearing ratio (total borrowings divided by total assets) at approximately 31.1% as at 30 September 2017 (as at 31 March 2017: approximately 37.0%). The Group constantly maintained sufficient cash level and banking facilities to meet its working capital requirements for existing operations, as well as to finance potential investment opportunities.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective members of the Group. The Group will continue to closely monitor the foreign currency exposure and will consider taking appropriate initiatives, including but not limited to hedging significant foreign currency exposure should the need arise.

CHARGE OF ASSETS

As at 30 September 2017, the Group pledged certain assets such as bank deposits, prepaid land lease payment, buildings and investment properties, with aggregate net book value of approximately HK\$362.8 million (as at 31 March 2017: approximately HK\$381.7 million), to secure banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 30 September 2017, the Group did not have any capital expenditure contracted but not provided for (as at 31 March 2017: approximately HK\$2.7 million).

As at 30 September 2017, the Group did not have any capital expenditure authorized but not contracted for (as at 31 March 2017: Nil).

CONTINGENT LIABILITIES

The IRD issued several estimated assessments and additional assessments for the year of assessment 2009/10 and 2010/11 to six subsidiaries of the Group amounting to HK\$7,260,000. In the opinion of the Directors, there is no specific basis for adjusting the subsidiaries' tax position for the years of assessment 2009/10 and 2010/2011 specified in the estimated assessment and additional assessment. Therefore, the Directors are of the view that no tax provision for Hong Kong Profits Tax is required at this stage. The subsidiaries will discuss with the IRD and will continue to monitor the progress and to defend the subsidiaries' tax position vigorously. Therefore, no tax provision was provided in relation to this aspect for the six months ended 30 September 2017 (for the year ended 31 March 2017: Nil). Please also refer to note 6 to the financial statements on page 28 of this report for further details.

EMPLOYEES AND REMUNERATION

As at 30 September 2017, the Group had 1,451 employees in total (as at 31 March 2017: 1,445). For the Period, the Group's total expenses on the remuneration of employees including emolument of the company's directors amounted to approximately HK\$74.7 million (for the six months ended 30 September 2016: approximately HK\$61.2 million).

The remuneration and bonuses of the Company's directors and senior management are reviewed and approved by the remuneration committee of the Company (the "**Remuneration Committee**") with reference, but not limited to the individual performance, the Group's results, qualification, competence and the prevailing market condition.

The Group's emolument policies are primarily formulated based on the performance of individual employees and the current market situation, which will be reviewed periodically. In addition to medical insurance and MPF scheme, competitive remuneration packages, discretionary bonuses, as well as employee share options, which are generally structured with reference to market terms, are also awarded to eligible employees according to the assessment of individual performance.

PROSPECT

As the Ministry of Commerce of the PRC forecasted in its Guiding Opinions dated 14 December 2016, the retail sales of consumer goods will reach RMB480 billion at average annual growth of approximately 10% by 2020. According to a recent research on china retail e-commerce, the transaction volume of China's retail e-commerce market is forecasted to grow to RMB7.5 trillion in 2018. With the ongoing increase in purchasing power and consumption standard, the e-commerce platform in PRC has been further promoting customers' online shopping activities at an unprecedented pace, which will accelerate the growth of paper packaging industry. The Group will continue to improve its production capacities to satisfy the demand and strive the opportunities to increase its market share, especially with the potential development of its Fujian factory, which commenced operation in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT *(Continued)*

The PRC government is determined to enhance environmental monitoring over paper packaging industry, and has been intensifying its enforcement measures over the years. Companies with outdated capacities, therefore, have been rapidly phasing out, unleashing considerable potential demand growth. Keeping pace with the rising industrial standards, the Group will endeavor to utilise the research and development resources, as well as to enhance its production technologies and facilities. By providing quality products and value added services constantly, including structural designs and paper packaging ancillary products, the Group has differentiated itself from its industrial competitors, and strengthened its leadership position in the PRC's corrugated paper packaging industry.

In order to keep constant growth in financial strength and competitiveness, the Group has been adopting prudent cost control and investment planning management. Moreover, the Group will maintain close business relationship with its suppliers in order to secure stable supply, despite the shortage of raw paper supply in the market. The Group is optimistic about the business prospect and will consistently strive for sustainable profitability, as well as maximum returns for the Shareholders in long run.

OTHER INFORMATION

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

As at 30 September 2017, the interests and short positions of the Directors and chief executives of the Company in the shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO or Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

Long positions in the Shares

Name	Capacity/Nature of interest	Number of Shares	Percentage of issued Shares
Mr. CHONG Kam Chau ("Mr. CHONG") (Notes 1 & 2)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	229,976,000	63.48%
	Beneficial owner	1,700,000*	0.47%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	229,976,000	63.48%
	Beneficial owner	1,200,000*	0.33%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	229,976,000	63.48%
	Beneficial owner	600,000*	0.17%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	229,976,000	63.48%
	Beneficial owner	600,000**	0.17%
Mr. CHAU On Ta Yuen	Beneficial owner	500,000*	0.14%
Ms. TSUI Pui Man	Beneficial owner	500,000*	0.14%
Mr. LAW Tze Lun	Beneficial owner	500,000*	0.14%

* These long positions represent the share options granted to the respective Directors under the share option scheme of the Company. Each share option shall entitle the holder thereof to subscribe for one Share.

** These long positions represent the share option granted to the then Director under the share option scheme of the Company. Each share option shall entitle the holder thereof to subscribe for one share.

OTHER INFORMATION

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

Long positions in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	Number of securities	Percentage of shareholding
Mr. CHONG Kam Chau (Notes 1 & 2)	Perfect Group Version Limited	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	10,000 ordinary shares	100%
Mr. CHONG Wa Pan (Notes 1 & 3)	Perfect Group Version Limited	Beneficiary of a discretionary trust	10,000 ordinary shares	100%
Mr. CHONG Wa Ching (Notes 1 & 3)	Perfect Group Version Limited	Beneficiary of a discretionary trust	10,000 ordinary shares	100%
Mr. CHONG Wa Lam (Notes 1 & 3)	Perfect Group Version Limited	Beneficiary of a discretionary trust	10,000 ordinary shares	100%

Notes:

- The entire issued shares of Perfect Group Version Limited ("**Perfect Group**") are held by Jade City Assets Limited, which in turn is held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching, Mr. CHONG Wa Lam and Mr. CHONG Kam Shing, who is the son of Mr. CHONG Wa Pan.
- Mr. CHONG is the founder, an Executive Director and the Chairman of the board of Directors (the "**Board**") of the Group. Mr. CHONG is the sole director of Perfect Group and therefore Mr. CHONG is deemed or taken to be interested in the 229,976,000 Shares beneficially owned by Perfect Group for the purposes of the SFO. Mr. CHONG as settlor and a beneficiary of the CHONG Family Trust is also deemed or taken to be interested in all the Shares held by Perfect Group under the SFO.
- Mr. CHONG Wa Pan, the Chief Executive Officer and the President of the Group, together with Mr. CHONG Wa Ching, the Executive Director, and Mr. CHONG Wa Lam, the senior management, and Mr. CHONG Kam Shing, the son of Mr. CHONG Wa Pan, all being beneficiaries of the CHONG Family Trust, are deemed or taken to be interested in all the Shares held by Perfect Group under the SFO.

Save as disclosed above, none of the Directors or chief executive, had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as at 30 September 2017.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2017, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed 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:

Long positions in the Shares

Name	Capacity/Nature of interest	Number of shares	Percentage of issued shares
Perfect Group Version Limited (Notes 1 & 2)	Beneficial owner	229,976,000	63.48%
Jade City Assets Limited (Notes 1 & 2)	Beneficial owner	229,976,000	63.48%
HSBC International Trustee Limited (Notes 1 & 2)	Trustee	229,976,000	63.48%
Ms. CHAN Po Ting (Notes 1 & 3)	Family interests; Beneficiary of a discretionary trust	231,676,000	63.95%
Ms. HUNG Woon Cheuk (Note 4)	Family interests	231,676,000	63.81%
Ms. Yuen Chung Yan (Note 5)	Family interests	230,576,000	63.64%
Mr. CHONG Kam Hung (Note 1)	Beneficiary of a discretionary trust	229,976,000	63.48%
Mr. CHONG Kam Shing (Note 1)	Beneficiary of a discretionary trust	229,976,000	63.48%
Ms. CHONG Sum Yee (Note 1)	Beneficiary of a discretionary trust	229,976,000	63.48%

Notes:

- The entire issued shares of Perfect Group are held by Jade City Assets Limited, which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching and Mr. CHONG Wa Lam and Mr. CHONG Kam Shing, who is the son of Mr. CHONG Wa Pan.
- Such Shares are held by Perfect Group, the entire issued shares of which are held by Jade City Assets Limited. The entire issued capital of Jade City Assets Limited is held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust.
- Ms. CHAN Po Ting, the spouse of Mr. CHONG Kam Chau and one of the beneficiaries of the CHONG Family Trust, is deemed or taken to be interested in the interests held by Mr. CHONG Kam Chau and Perfect Group under the SFO.
- Ms. HUNG Woon Cheuk is the spouse of Mr. CHONG Wa Pan, and Mr. CHONG Kam Shing is the son of Ms. HUNG Woon Cheuk. Therefore, Ms. HUNG Woon Cheuk is deemed or taken to be interested in the interests held by Mr. CHONG Wa Pan under the SFO.
- Ms. YUEN Chung Yan, the spouse of Mr. CHONG Wa Ching, is deemed or taken to be interested in the interests held by Mr. CHONG Wa Ching under the SFO.

OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the Period, the Company and its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board is committed to maintaining appropriate corporate governance practices to enhance the accountability and transparency of the Company in order to protect its shareholders' interests and to ensure that the Company complies with the latest statutory requirements and professional standards.

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") during the Period.

MODEL CODE FOR 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 to the Listing Rules as the standard for securities transactions by the Directors.

All the members of the Board confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The main duties of the audit committee of the Company (the "**Audit Committee**") are to consider the relationship of external auditors, to review the financial statements of the Group, and to oversee the Group's financial reporting system and internal control procedures. The Audit Committee consists of three independent non-executive Directors, namely Mr. LAW Tze Lun, who is also the Chairman of the Audit Committee, Mr. CHAU On Ta Yuen and Ms. TSUI Pui Man.

The Audit Committee has reviewed with management this results announcement and the unaudited consolidated financial statements of the Group for the Period, including the accounting principles and practices adopted, internal controls and financial reporting matters.

OTHER INFORMATION

SHARE OPTION SCHEME

Details of the share options outstanding as at 30 September 2017 under the share option scheme adopted by the Company on 5 February 2009 (the “Share Option Scheme” or the “Scheme”) are as follows:

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK\$) (Note 1)	Share options held on 31 March 2016	Share options granted during the Period	Share options exercised during the Period	Share options lapsed during the Period	Share options held on 30 September 2016
Executive Directors								
Mr. CHONG Kam Chau	6 January 2010	6 January 2011 to 5 January 2020	1.18	680,000	-	-	-	680,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	510,000	-	-	-	510,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	510,000	-	-	-	510,000
				1,700,000	-	-	-	1,700,000
Mr. CHONG Wa Pan	6 January 2010	6 January 2011 to 5 January 2020	1.18	480,000	-	-	-	480,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	360,000	-	-	-	360,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	360,000	-	-	-	360,000
				1,200,000	-	-	-	1,200,000
Mr. CHONG Wa Ching	6 January 2010	6 January 2011 to 5 January 2020	1.18	240,000	-	-	-	240,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	180,000	-	-	-	180,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	180,000	-	-	-	180,000
				600,000	-	-	-	600,000
Independent Non-executive Directors								
Mr. CHAU On Ta Yuen	6 January 2010	6 January 2011 to 5 January 2020	1.18	200,000	-	-	-	200,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	-	-	-	300,000
				500,000	-	-	-	500,000
Ms. TSUI Pui Man	6 January 2010	6 January 2011 to 5 January 2020	1.18	200,000	-	-	-	200,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	-	-	-	300,000
				500,000	-	-	-	500,000
Mr. LAW Tze Lun	6 January 2010	6 January 2011 to 5 January 2020	1.18	200,000	-	-	-	200,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	-	-	-	300,000
				500,000	-	-	-	500,000
Seven other eligible participants of the Group								
	6 January 2010	6 January 2011 to 5 January 2020	1.18	660,000	-	-	-	660,000
	6 January 2010	6 January 2012 to 5 January 2020	1.18	495,000	-	-	-	495,000
	6 January 2010	6 January 2013 to 5 January 2020	1.18	495,000	-	-	-	495,000
	17 May 2010	13 November 2010 to 16 May 2020	1.05	3,000,000	-	-	-	3,000,000
				4,650,000	-	-	-	4,650,000
One other eligible participant of the Group								
	6 January 2010	6 January 2011 to 5 January 2020	1.18	150,000	-	-	-	150,000
				150,000	-	-	-	150,000
				9,800,000	-	-	-	9,800,000

Notes: 1. (a) The closing price of the Shares on 5 January 2010 (the day immediately before the date of grant) was HK\$1.18.

(b) The closing price of the Shares on 16 May 2010 (the day immediately before the date of grant) was HK\$1.05.

2. For details of the value of the options granted, please refer to note 17 to the unaudited consolidated financial statements.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

No significant events occurring after the end of the six months ended 30 September 2017.

PUBLIC FLOAT

As far as the Company is aware, more than 25% of the issued shares of the Company were held in public hands as at 30 September 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	627,147	388,288
Cost of goods sold		(484,715)	(302,204)
Gross profit		142,432	86,084
Other income		3,869	4,931
Other gains and losses	4	6,159	(8,380)
Selling expenses		(27,152)	(23,353)
Administrative expenses		(56,468)	(47,961)
Other operating income		476	2,954
Profit from operations		69,316	14,275
Finance costs	5	(5,742)	(5,595)
Gain on dissolve of subsidiaries		2,374	–
Profit before tax		65,948	8,680
Income tax expense	6	(9,771)	(3,633)
Profit for the period	7	56,177	5,047
Profit for the period attributable to:			
Owners of the Company		55,894	5,483
Non-controlling interests		283	(436)
		56,177	5,047
Earnings per share	8		
Basic and diluted		15.43 cents	1.51 cents
Dividend	9	–	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period	56,177	5,047
Other comprehensive income (expenses) for the period: <i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	19,837	(17,432)
Total comprehensive income (expenses)	76,014	(12,385)
Total comprehensive income (expenses) for the period attributable to:		
Owners of the Company	74,986	(11,164)
Non-controlling interests	1,028	(1,221)
	76,014	(12,385)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Non-current assets			
Prepaid lease payments		60,558	58,674
Property, plant and equipment	10	287,318	284,175
Investment properties		212,900	209,800
Goodwill		11,631	11,631
Deposits paid for acquisition of property, plant and equipment		7,045	3,893
Club membership		366	366
		579,818	568,539
Current assets			
Inventories		142,829	95,382
Trade and bills receivables	11	289,222	214,846
Prepayments, deposits and other receivables		19,824	19,825
Amounts due from non-controlling shareholders	13	24	29
Prepaid lease payments		1,498	1,434
Tax recoverable		2,485	1,000
Held for trading investments		32,850	33,392
Pledged bank deposits		123,229	145,634
Bank and cash balances		188,653	250,414
		800,614	761,956

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	12	169,725	158,127
Accruals and other payables		116,618	93,512
Amounts due to non-controlling shareholders	13	30,172	28,883
Short-term borrowings		302,683	364,675
Tax liabilities		32,756	26,238
Derivative financial instruments		–	2,176
Long-term borrowings		118,081	120,819
		770,035	794,430
Net current assets (liabilities)		30,579	(32,474)
Total assets less current liabilities		610,397	536,065
Non-current liabilities			
Amounts due to non-controlling shareholders	13	1,780	2,848
Long-term borrowings		8,739	7,145
Deferred tax liabilities		3,984	3,818
		14,503	13,811
NET ASSETS		595,894	522,254
Capital and reserves			
Share capital	14	3,623	3,623
Reserves		594,692	519,706
Equity attributable to owners of the Company		598,315	523,329
Non-controlling interests		(2,421)	(1,075)
		595,894	522,254

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company											Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share-based payment reserve HK\$'000	Foreign currency translation reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2016 (audited)	3,623	193,212	105,309	3,579	52,959	20,250	-	15,840	140,814	535,586	2,180	537,766
Total comprehensive income (expense) for the period	-	-	-	-	(16,647)	-	-	-	5,483	(11,164)	(1,221)	(12,385)
Change in equity for the period	-	-	-	-	(16,647)	-	-	-	5,483	(11,164)	(1,221)	(12,385)
At 30 September 2016 (unaudited)	3,623	193,212	105,309	3,579	36,312	20,250	-	15,840	146,297	524,422	959	525,381
At 1 April 2017 (audited)	3,623	193,212	105,309	3,579	22,339	27,762	(20)	15,840	151,685	523,329	(1,075)	522,254
Total comprehensive income for the period	-	-	-	-	19,092	-	-	-	55,894	74,986	1,028	76,014
Dissolve of subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,374)	(2,374)
Change in equity for the period	-	-	-	-	19,092	-	-	-	55,894	74,986	(1,346)	73,640
At 30 September 2017 (unaudited)	3,623	193,212	105,309	3,579	41,431	27,762	(20)	15,840	207,579	598,315	(2,421)	595,894

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Note	Six months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(13,376)	35,403
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(4,785)	(26,706)
Proceeds from disposals of property, plant and equipment		80	4,697
Decrease in pledged bank deposits		22,405	24,239
Increase in deposits paid for acquisition of property, plant and equipment		(3,468)	(315)
Cash inflow from disposal of financial assets designated as at FVTPL		–	34,276
Acquisition of an available-for-sales investments		–	(300)
Acquisition of held for trading investments		(26,142)	(6,048)
Proceed from disposal of held for trading investments		29,533	5,704
Cash outflow from structured foreign currency forward contracts		(2,156)	(7,026)
Cash inflow from structured deposits		1,439	672
Dividend from held for trading investments		289	376
Interest received		2,046	1,704
NET CASH GENERATED FROM INVESTING ACTIVITIES		19,241	31,273
FINANCING ACTIVITIES			
Repayment of short term loans, net		(62,468)	(6,333)
Drawing of new long-term borrowings		10,345	21,000
Repayment of long term borrowings		(11,530)	(11,417)
(Repayment) advances from non-controlling shareholders		(291)	282
Interest paid		(5,742)	(5,595)
NET CASH USED IN FINANCING ACTIVITIES		(69,686)	(2,063)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(63,821)	64,613
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,060	(3,109)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		250,414	121,867
CASH AND CASH EQUIVALENTS AT END OF PERIOD		188,653	183,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

These unaudited consolidated financial statements 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 applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited consolidated financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2017 except as stated in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, held for trading investments and derivative financial instruments which were measured at fair value of the reporting date.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, the following new Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKASs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs	Amendments to HKFRS 12 included in annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above new HKFRSs and amendments to HKASs 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. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new or revised HKFRSs and revised HKASs will have no material impact on the results and the financial position of the Group.

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRSs	Annual Improvements to HKFRS 2014–2016 Cycle except amendments to HKFRS 12 ¹
HKAS 40 (Amendments)	Transfers of Investment Property ¹
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

Notes:

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective date to be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

3. REVENUE AND SEGMENTAL INFORMATION

Revenue of the Group represents revenue arising on sale of goods sold and gross rental income received during the period.

Segmental information

The chief operating decision makers have been identified as the executive directors of the Company (“the **Executive Directors**”). The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

The Group has three reportable and operating segments under HKFRS 8 as follows:

- Corrugated products — manufacture and sale of corrugated board and corrugated paper-based packing products;
- Offset printed corrugated products — manufacture and sale of offset printed corrugated products; and
- Properties leasing — properties leased in Hong Kong for rental income.

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable segments:

For the six months ended 30 September 2017

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Properties leasing HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue					
External sales	523,691	101,036	–	–	624,727
Inter-segment sales	20,158	7,846	–	(28,004)	–
Gross rental income	–	–	2,420	–	2,420
Total	543,849	108,882	2,420	(28,004)	627,147
Segment results	57,419	16,459	3,196		77,074
Interest income					2,046
Fair value changes of derivative financial instruments					2,176
Fair value changes of held for trading investments					1,859
Dividend income from held for trading investments					289
Expense on structured foreign currency forward contracts					(2,156)
Income from structured deposits					1,439
Loss on disposal of held for trading investments					(259)
Gain on dissolve of subsidiaries					2,374
Finance costs					(5,742)
Corporate income and expenses					(13,152)
Profit before tax					65,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

For the six months ended 30 September 2016

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Properties leasing HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue					
External sales	312,024	74,151	–	–	386,175
Inter-segment sales	14,024	5,040	–	(19,064)	–
Gross rental income	–	–	2,113	–	2,113
Total	326,048	79,191	2,113	(19,064)	388,288
Segment results	17,869	5,496	594		23,959
Interest income					1,704
Fair value changes of derivative financial instruments					2,725
Fair value changes of held for trading investments					(4,841)
Fair value changes of financial assets designated as at fair value through profit and loss ("FVTPL")					136
Dividend income from held for trading investments					376
Expense on structured foreign currency forward contracts					(7,026)
Income from structured deposits					672
Loss on disposal of held for trading investments					(65)
Gain on disposal of financial assets designated as at FVTPL					99
Finance costs					(5,595)
Corporate income and expenses					(3,464)
Profit before tax					8,680

The accounting policies of the operating segments are the same as the Group's accounting policies as described in the 2017 financial statement of the Group. Segment profits or losses represented the profit earned from each segment without allocation of interest income, fair value changes of derivative financial instruments, fair value changes of held for trading investments, fair value changes of financial assets designated as at FVTPL, dividend income from held for trading investment, expense on structured foreign currency forward contracts, income from structured deposits, loss on disposal of held for trading investments, gain on disposal of financial assets designated as at FVTPL, gain on dissolve of subsidiaries, finance costs and corporate income and expenses. For the purposes of resources allocation and performance assessment, segment profits are reported to the chief operating decision maker as standards of assessment.

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Properties leasing HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 30 September 2017				
Segment assets	968,836	141,591	212,128	1,322,555
Segment liabilities	244,567	29,223	3,450	277,240
	Corrugated products HK\$'000 (audited)	Offset printed corrugated products HK\$'000 (audited)	Properties leasing HK\$'000 (audited)	Total HK\$'000 (audited)
At 31 March 2017				
Segment assets	919,296	136,321	209,205	1,264,822
Segment liabilities	215,078	28,189	3,611	246,878

All assets are allocated to segments other than leasehold land in Hong Kong for corporate use, investment properties for capital appreciation purposes, goodwill, club membership, amounts due from non-controlling shareholders, held for trading investments, bank balances managed on central basis, tax recoverable and corporate assets.

All liabilities are allocated to segments other than current tax liabilities, deferred tax liabilities, amounts due to non-controlling shareholders, derivative financial instruments, borrowings and corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value changes of derivative financial instruments	2,176	2,725
Fair value changes of held for trading investments	1,859	(4,841)
Fair value changes of financial assets designated as at FVTPL	–	136
Fair value changes of investment properties	3,100	(80)
Loss on disposal of held for trading investments	(259)	(65)
Gain on disposal of financial assets designated as at FVTPL	–	99
Expense on structured foreign currency forward contracts	(2,156)	(7,026)
Income from structure deposits	1,439	672
	6,159	(8,380)

5. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
— bank borrowings	5,261	5,107
— other loans	202	206
— amount due to a non-controlling interest	279	282
	5,742	5,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
— Current tax	1,595	1,666
The People's Republic of China (the "PRC"/"China") Enterprise Income Tax:		
— Current tax	8,176	1,967
	9,771	3,633

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profits. Tax charge on profits assessable in other jurisdictions has been calculated at the rates of tax prevailing in the relevant jurisdictions for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

A portion of the Group's profit for the six months ended 30 September 2017 and 2016 are earned by the Macau subsidiaries of the Group incorporated under the Macao SAR's Offshore Law. Pursuant to the Macao SAR's Offshore Law, such portion of profits is exempted from Macau complimentary tax. Furthermore, in the opinion of the directors of the Company, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

During the year ended 31 March 2017, the Inland Revenue Department of Hong Kong ("IRD") issued several estimated assessments and additional assessments for the year of assessment 2009/10 and 2010/11 to six subsidiaries of the Group amounting to HK\$7,260,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates amounting to HK\$1,000,000 during the year ended 31 March 2017. The Group had purchased another tax reserve certificates amounting to HK\$1,485,000 during the period ended 30 September 2017. IRD has held over the payment of profits tax of HK\$4,775,000 as of 30 September 2017.

The directors of the Company are of the opinion that, as at 30 September 2017, the provision for taxation made in the consolidated financial statements is sufficient and not excessive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the followings:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation for property, plant and equipment	11,664	13,054
Amortisation of prepaid lease payments	2,991	746
Total depreciation and amortisation	14,655	13,800
Auditors' remuneration	–	–
Cost of inventories sold*	484,715	302,204
Operating lease charges in respect of land and buildings	9,819	10,154
Net foreign exchange loss	2,245	237
Staff costs:		
— Directors' emoluments	4,905	2,337
— Other staff salaries, bonus and allowances	66,157	55,327
— Retirement benefits scheme contributions (excluding directors)	3,605	3,534
	74,667	61,198

* Cost of inventories sold includes staff costs, depreciation and operating lease charges totalling to approximately HK\$61,428,000 (for the six months ended 30 September 2016: approximately HK\$51,471,000) which was included in the amounts disclosed separately above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company was based on the following data:

	Earnings for the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	55,894	5,483

	Number of shares at 30 September	
	2017	2016
	(unaudited)	(unaudited)
Weighted average number of ordinary shares at end of period	362,300,000	362,300,000

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of shares for the six months ended 30 September 2017 and 2016.

9. DIVIDEND

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend recognised as distribution during the period		
2017 Final dividend — Nil (2016 Final dividend: Nil)	—	—

The Board does not recommend any of interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment of approximately HK\$4,785,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

11. TRADE AND BILLS RECEIVABLES

Payment terms with customers are mainly by cash on delivery and on credit. The credit periods ranged from 15 days to 120 days after the end of the month in which the relevant sales occurred. The ageing analysis of trade receivables, based on the due date for settlement, is as follows:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade receivables:		
Not yet due for settlement	257,581	191,479
Overdue:		
1 to 30 days	22,284	11,744
31 to 90 days	1,072	2,857
91 to 365 days	1,798	3,453
Over 1 year	15,716	13,774
	298,451	223,307
Less: Allowance for doubtful debts	(15,681)	(15,760)
	282,770	207,547
Bills receivables	6,452	7,299
	289,222	214,846

12. TRADE AND BILLS PAYABLES

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade payables:		
0 to 30 days	116,282	44,418
31 to 90 days	1,110	84
Over 90 days	476	429
	117,868	44,931
Bills payables	51,857	113,196
	169,725	158,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

13. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Amounts due from non-controlling shareholders	24	29

The amounts due from non-controlling shareholders are unsecured, non-interest bearing and repayable on demand.

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Amounts due to non-controlling shareholders:		
The amount due are repayable (based on scheduled repayment dates set out in loan agreement) as follows:		
— On demand or within one year	30,172	28,883
— In the second year	1,780	1,144
— In the third to fifth year, inclusive	–	1,704
	31,952	31,731
Less: Amount due for settlement within 12 months (shown under current liabilities)	(30,172)	(28,883)
Amount due for settlement after 12 months	1,780	2,848

As at 30 September 2017, the amount of approximately US\$1,475,000 (equivalent to approximately HK\$11,750,000) (31 March 2017: US\$1,475,000 (equivalent to approximately HK\$11,252,000)) due to a non-controlling shareholder of a subsidiary, Fully Chance Holdings Limited (“**Fully Chance**”), is unsecured with interest bearing at 5% per annum. The principal is repayable in ten annual installments (commencing on 11 June 2011) plus interest on the outstanding balance.

As at 30 September 2017, the amount of approximately HK\$20,196,000 (31 March 2017: HK\$20,196,000) due to a non-controlling interest of a subsidiary, Turbo Best Holdings Limited, is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017	362,300	3,623

15. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Share Option Scheme was adopted on 5 February 2009. A summary of the principal terms of the Share Option Scheme is set out in the 2017 annual report of the Company.

Details of the specific categories of options are as follows:

Grant date	6 January 2010	6 January 2010	6 January 2010	17 May 2010
Lot	1	2	3	4
Vesting period (note (a))	6 January 2010 to 5 January 2011	6 January 2010 to 5 January 2012	6 January 2010 to 5 January 2013	17 May 2010 to 12 November 2010
Exercise period	6 January 2011 to 5 January 2020	6 January 2012 to 5 January 2020	6 January 2013 to 5 January 2020	13 November 2010 to 16 May 2020
Exercise price (note (b))	HK\$1.18	HK\$1.18	HK\$1.18	HK\$1.05
Price of the Company's shares at the date of grant (note (c))	HK\$1.18	HK\$1.18	HK\$1.18	HK\$1.05

Notes:

- (a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.
- (c) The price of the Company's share disclosed as at the date of grant of the share options is the higher of the average of closing price listed on the Stock Exchange for the five business days immediately preceding the date of the grant of the share options or the closing price at the date of grant.

No share-based payment expense in relation to share options granted by the Company was recognised for the periods ended 30 September 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

15. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

Details of the share options outstanding during the period are as follows:

	Number of share options granted to directors	Weighted average exercise price HK\$	Number of share options granted to employees	Weighted average exercise price HK\$	Total number of share options	Weighted average exercise price HK\$
Outstanding at 1 April 2017	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13
Lapsed during the period	-	-	-	-	-	-
Outstanding at 30 September 2017	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13
Exercisable at 30 September 2017	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13

No share options have been granted, exercised or lapsed during the Period. The options outstanding at 30 September 2017 have a weighted average remaining contractual life of 2.41 years (as at 30 September 2016: 3.41 years) and the exercise price of HK\$1.13 (as at 30 September 2016: HK\$1.13).

At 30 September 2017, the number of shares in respect of which options have been granted and remained outstanding under the Scheme was 9,800,000 (as at 30 September 2016: 9,800,000), representing 2.79% (as at 30 September 2016: 2.79%) of the shares of the Company in issue at that date.

Options shall be forfeited on the expiry of three months after the date of cessation of employment, but before the options vest. All the options forfeited before expiry of the options will be treated as cancelled option under the Share Option Scheme.

The estimated fair value of the options granted during the years ended 31 March 2011 and 2010 calculated using the Black-Scholes option pricing model was approximately HK\$6,285,000 and HK\$3,315,000 respectively. The inputs into the model were as follows:

Grant date	6 January 2010	6 January 2010	6 January 2010	17 May 2010
Lot	1	2	3	4
Option value	HK\$0.3918	HK\$0.3959	HK\$0.3986	HK\$0.3207
Total fair value	HK\$1,563,000	HK\$873,000	HK\$879,000	HK\$6,285,000
Share price at date of grant	HK\$1.18	HK\$1.18	HK\$1.18	HK\$1.05
Exercise price	HK\$1.18	HK\$1.18	HK\$1.18	HK\$1.05
Expected volatility	50.45%	49.61%	49.02%	52.08%
Risk-free interest rate	2.01%	2.10%	2.20%	1.75%
Expected life of options	5.5 years	6 years	6.5 years	5.24 years
Dividend yield	3.90%	3.90%	3.90%	4.38%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

15. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The expected volatility was determined by calculating the historical volatility of the listed shares' price of similar companies in the same industry over a period that is equal to the expected life of the options before the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

16. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
Purchase of property, plant and equipment — contracted but not provided for	—	2,670

17. CONTINGENT LIABILITIES

The IRD issued several estimated assessments and additional assessments for the year of assessment 2009/10 and 2010/11 to six subsidiaries of the Group amounting to HK\$7,260,000. In the opinion of the Directors, there is no specific basis for adjusting the subsidiaries' tax position for the years of assessment 2009/10 and 2010/2011 specified in the estimated assessment and additional assessment. Therefore, the Directors are of the view that no tax provision for Hong Kong Profits Tax is required at this stage. The subsidiaries will discuss with the IRD and will continue to monitor the progress and to defend the subsidiaries' tax position vigorously. Therefore, no tax provision was provided in relation to this aspect for the six months ended 30 September 2017 (for the year ended 31 March 2017: Nil). Please also refer to note 6 to the financial statements on page 28 of this report for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable according to the Group's accounting policy.

	30 September 2017			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL				
Held for trading investments	32,850	–	–	32,850
Financial liabilities at FVTPL				
Derivative financial instrument	–	–	–	–
	31 March 2017			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL				
Held for trading investments	33,392	–	–	33,392
Financial liabilities at FVTPL				
Derivative financial instrument	–	2,176	–	2,176

There was no transfer between levels of fair value hierarchy in the current and prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

The valuation techniques and inputs used in Level 2 fair value measurements of financial instruments are set out below:

	Valuation technique	Key inputs
Structured foreign currency forward contracts	Monte-Carlo simulation	Fair value is obtained by repeated random sampling of results based on: <ul style="list-style-type: none"> (a) Contractual amount (b) Risk-free rate (c) Time to maturity (d) Spot exchange rate (e) Volatility (f) Settlement date market forward exchange rate (g) Target knock-out rate limit

The valuation techniques were the same for the period ended 30 September 2017 and the year ended 31 March 2017.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

19. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the reporting period:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental in respect of land and buildings paid to a related company owned by Mr. CHONG and Mr. CHONG Wa Pan (note)	339	300

Notes:

Tenancy Agreement with a Related Company

In 2016, the Group entered into tenancy agreements with a company owned by Mr. CHONG and Mr. CHONG Wa Pan, for the lease of office premises for a term of one year commencing from 1 April 2016 until 31 March 2017 at prevailing market rates.

In 2017, the aforesaid tenancy agreements had been renewed for a term of three years commencing from 1 April 2017 until 31 March 2020 at prevailing market rates.

Both transactions were conducted with terms mutually agreed with the contracting parties pursuant to signed agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

20. SEASONALITY

The Group's sales are subject to seasonal fluctuation, with the demand for corrugated packaging products concentrated in the second-half year as resulting from higher demand for consumer products during the National Day Golden Week and the Christmas holiday. The effect of peak season is started in late of June each year, which led to rising of sales and the trade and bills receivables.

21. APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 November 2017.