



COME SURE

Group (Holdings) Limited

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



2018

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

As to Cayman Islands law:

Appleby
Suites 2206-19
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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

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Unit 1005, 10/F, AXA Centre
151 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

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Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

Corporate Information

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
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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

DirectiR Limited
10B, Phase 1
Yip Fat Factory Building
77 Hoi Yuen Road
Kwun Tong
Hong Kong

Management Discussion and Analysis

INDUSTRY REVIEW

With the effects of the intense tariffs levied upon China from the recent US-China Trade War (the “**Trade War**”) which resulted in the decrease in the export volume, during the six months ended 30 September 2018 (the “**Period**”), the People’s Republic of China (the “**PRC**” or “**China**”) recorded a slower economic growth pace. According to the National Bureau of Statistics of China (the “**NBSC**”), the gross domestic product of China was approximately Renminbi (the “**RMB**”) 65.1 trillion in the first three quarters of 2018, with a year-on-year (the “**YoY**”) increase of approximately 6.5% specifically for the third quarter, which was the lowest reading as compared to the first and second quarter of 2018 of approximately 6.8% and 6.7% respectively, mainly due to the weakening manufacturing output volume resulting from the Trade War. According to China’s Purchasing Managers Index conducted by the NBSC, the PRC’s index recorded below 50 consecutively for the three months from June to August 2018, which caused a decrease in demand in the paper packaging industry. At the same time, the exchange rate of RMB to the US-dollar recorded a new 10-year low during the Period, being RMB6.87 to 1 US-dollar as at 30 September 2018. Apparently, the RMB depreciation also drew back the industry turnover, causing higher operating pressure to the industry.

During the Period, environmental protection trend had been strengthened by the PRC government. In response to the green policies implementation, value-added products and green facilities have been gradually replacing the existing products and installations, which increased the production cost of the paper industry. With an annual increase in other expenses including employees’ and rental expenses, the growth rate of the operating cost was higher than that of the operating income. According to the NBSC, the YoY increase in the operating costs of manufacturing of paper and paper products for the first 9 months of 2018 was 11.3%, comparing to a 10.3% YoY increase in the operating income.

Despite the economic slowdown, there was a steady growth in the domestic and international online retail and logistic industries during the Period, signifying a healthy demand in paper packaging. Since 2017, the volume of paper and paperboard has increased significantly benefiting the industry revenue and profit. According to the National Development and Reform Commission, during the Period, China’s total logistics reached RMB154.1 trillion with a YoY increase of approximately 6.9%. As stated in the 2018 report published by PricewaterhouseCoopers, China became the world’s biggest e-Commerce market with an online sales in the first quarter of 2018 recording an increase of 35.4% YoY. With all the challenges ahead, higher industry standard is foreseen, proposing greater opportunities to key enterprises with value-added products and services.

BUSINESS REVIEW

During the Period, the adverse impact of the Trade War on retail and logistics market has emerged in the PRC, giving rise to an unstable market demand for paper packaging manufactures. Attributable to Come Sure Group (Holdings) Limited (the “**Company**”) and its subsidiaries’ (collectively, the “**Group**”) continuous efforts in providing quality and high-performance corrugated paper packaging products and solutions, the Group secured steady orders from its loyal customer base and at the same time was able to acquire new customers. Besides, rapid development of the Group’s Fujian plant continued since its commencement of operation in August 2016, which contributed approximately HK\$127.1 million to the revenue of the Group during the Period. Despite the weakened demand growth, the Group managed to maintain its revenue level at approximately HK\$652.7 million for the Period (for the corresponding period in 2017: approximately HK\$627.1 million).

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

The Group had been effectively managing its products mix and pricing strategies for optimal profitability. Benefit from the raw materials brought forward from the period prior to rapid paper cost inflation in 2017, the Group recorded a high gross profit margin of 22.7% for the year ended 31 March 2018. Such factor had been eliminated, lifting the raw materials inventory cost for the Period back to normal market level. In addition, the operation of Fujian plant had become increasingly mature and satisfactorily met its maximum capacity at more than 70% over the Period. Although Fujian plant mainly operates corrugated paper board business, which generates relatively lower gross profit margin, as compared to the Group's corrugated printed cartons and paperwares business, its presence in regional market is expected to expand revenue sources of the Group in a long term. The Group's overall gross profit and gross profit margin for the Period, therefore, returned to a sustainable level of approximately HK\$136.0 million and 20.8% respectively. Having established positive reputation in paper packaging industry, the Group had been enjoying collaborative relationship with its suppliers. The Group also managed to increase the proportion of imported raw materials, ensuring the stable supply and cost of raw materials while facing the growing challenge of environment cost and fluctuated domestic paper prices. With the effective cost control and product positioning strategy, the Group has differentiated itself from its industrial competitors and will continue to grasp the opportunities to increase its market share.

In addition to the decrease in gross profit, the Group experienced an increased administrative expense and finance cost which was mainly caused by the RMB depreciation driven exchange loss and the interest rate increase and its net profit thereby decreased to approximately HK\$28.5 million during the Period (for the corresponding period in 2017: approximately HK\$56.2 million).

RESULT OF OPERATION

	For the six months ended 30 September			
	2018		2017	
	HK\$'000	(%)	HK\$'000	(%)
Sales of goods				
PRC domestic sales	526,010	80.9	480,115	76.9
Domestic delivery export sales	100,417	15.4	122,038	19.5
Direct export sales	24,068	3.7	22,574	3.6
	650,495	100.0	624,727	100.0
Properties investment				
Rental income	2,163		2,420	
Total Revenue	652,658		627,147	
Gross profit margin		20.8		22.7
Net profit margin		4.4		9.0

Management Discussion and Analysis

REVENUE

During the Period, there was an increase of approximately 4.1% in the overall revenue with approximately HK\$652.7 million, comparing to approximately HK\$627.1 million for the corresponding period in 2017. With the Group's consistency and determination in delivering quality paper packaging products and high value-added services to its customers, the Group managed to record a stable revenue level in its operation in Guangdong, while the business of Fujian's plant was also actively developed by the Group, despite a decrease in the Group's overall sales volume caused by the challenges of the Trade War and economic slowdown recently. The Group's new Fujian plant which commenced its operation since August 2016 continued to explore the new market around Fujian and successfully recorded a significant increase in its revenue contribution to the Group and exceeded its anticipated annual production volume.

Guangdong operation

During the Period, the revenue as generated by the Guangdong operation had been maintained. Yet, due to the Trade War and economic slowdown, the sales volume, in terms of tonnes, of Guangdong operation dropped by approximately 23.7%. With the increase in the average selling price, Guangdong operation managed to maintain a revenue of approximately HK\$523.4 million, rising from approximately HK\$520.1 million for the corresponding period in 2017. Operation in Guangdong continued to be the Group's major focus throughout the Period, contributing approximately 80.2% to the Group's total revenue. Considering Huizhou, where is widely known as "gateway of Eastern Guangdong", as one of the development core in Greater Bay Area, the Group is optimistic about the economic development as well as the demand of paper packaging product of the region and is considering to expand its production capacity and floor area in its Huidong plant. As such, the enhanced production capacity will enable the Group to further explore new customers.

Fujian operation

During the Period, Fujian plant's development was satisfactory with a rise in its revenue and sales orders. Equipped with strong and efficient production capabilities, Fujian plant continued to satisfy the uplifting industrial standards and demand from the surrounding regions. Renowned reputation had been built since the commencement of Fujian plant which benefitted the Group to explore new business opportunities in the regional market. Fujian plant recorded an increase of approximately 46.3% in its revenue, with approximately HK\$127.1 million during the Period, as compared to approximately HK\$86.9 million for the corresponding period in 2017. The annual capacity of Fujian plant has exceeded 100 million square meter of corrugated paperboard, reaching more than 70% of its production capacity during the Period.

GROSS PROFIT

With the impact of the increasing cost of quality raw materials during the Period, the Group increased the proportion of imported raw materials. With constant support from its closely collaborative suppliers, the Group was able to secure sufficient supply of raw materials. Apart from the cost pressure, the Group's corrugated paperboard business in Fujian plant produced relatively lower gross profit margin as compared to that of the Group's main business which included corrugated printed cartons and paperwares, dragging down the overall gross profit margin level despite the fact that Fujian plant contributed a satisfactory gross profit to the Group during the Period. Besides, the Group continued its strategies in constantly providing and improving its high profit margin structural-designed cartons and paperwares products during the Period. Therefore, the Group's gross profit and gross profit margin during the Period managed to maintain at a sound level of approximately HK\$136.0 million and 20.8% respectively. By comparison, the Group recorded a higher level than normal in its gross profit and gross profit margin for the corresponding period in 2017, which of approximately HK\$142.4 million and 22.7% respectively. This was mainly resulted from the lower raw materials inventory cost that were brought forward from the period prior to the rising raw material price. Nonetheless, adhering to a market-oriented strategy, the Group adopted effective internal cost management, including continuous improvement of operation flow and ERP system. The Group will closely monitor the cost fluctuation and modify the pricing strategies in order to maintain a sustainable profitability in long run.

Management Discussion and Analysis

GROSS PROFIT *(Continued)*

Guangdong operation

As mentioned above, the Group, including Guangdong operation, experienced high gross profit and gross profit margin that was benefited from the dramatical increment on the price of raw papers during the corresponding period in 2017. During the Period, the gross profit and gross profit margin of Guangdong operation, including Shenzhen plant and Huidong plant, returned to a sustainable level. Since Guangdong plants were equipped with automatic appliance and technique in order to maintained high production efficiency, Guangdong operation still contributed the most to the Group's gross profit. The gross profit and gross profit margin generated from the operation in Guangdong were approximately HK\$117.8 million and approximately 22.5%, respectively, during the Period (for the corresponding period in 2017: approximately HK\$128.0 million and approximately 24.6%, respectively).

Fujian operation

The gross profit and gross profit margin generated from Fujian plant rose to approximately HK\$16.9 million and approximately 13.3%, respectively, during the Period, as compared to approximately HK\$10.2 million and approximately 11.7%, respectively, for the corresponding period in 2017. The Group's Fujian plant mainly manufactures corrugated paperboard products, which generated relatively lower gross profit margin. Yet, with the rising recognition in local and surrounding markets, Fujian plant is believed to contribute profit growth to the Group in long term.

SELLING AND ADMINISTRATIVE EXPENSES

In line with the increase in revenue, the Group's selling expenses rose slightly to approximately HK\$28.8 million during the Period (for the corresponding period in 2017: approximately HK\$27.2 million). With the rapid development of the Fujian's plant, the Fujian operation's administrative expenses increased significantly to approximately HK\$5.5 million during the Period. The overall Group's administrative expenses for the Period rose to approximately HK\$65.9 million, as compared to approximately HK\$56.5 million for the corresponding period in 2017 which was mainly caused by the fluctuation of RMB, incurring approximately HK\$10.0 million exchange loss during the Period.

FINANCE COSTS

Finance costs mainly occurred from bank loans to replenish general working capital and capital expenditure. During the Period, due to the increase in interest rates, the finance costs of the Group increased to approximately HK\$7.2 million, as compared to approximately HK\$5.7 million for the corresponding period in 2017.

OTHER GAINS AND LOSSES

During the Period, the Group recorded other gains of approximately HK\$4.4 million, signaling a decrement of approximately HK\$1.8 million which was equivalent to approximately 29.0%, as compared to the corresponding period in 2017 of approximately HK\$6.2 million. The aforementioned mainly represented the fair value gains on investment properties amounting to approximately HK\$7.2 million during the Period from approximately HK\$3.1 million for the corresponding period in 2017, while a fair value loss was recorded on trading securities amounting to approximately HK\$ 5.7 million during the Period.

Management Discussion and Analysis

WORKING CAPITAL

	30 September 2018 Turnover Days	31 March 2018 Turnover Days
Trade and bills receivables	71	65
Trade and bills payables	52	58
Inventories	47	38
Cash conversion cycle*	66	45

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

Due to the downturn of the industrial growth, customers took slightly longer to settle the payments during the Period. The Group's trade and bills receivables as at 30 September 2018 amounted to approximately HK\$248.4 million (as at 31 March 2018: approximately HK\$260.2 million), with trade and bill receivables turnover days increasing to 71 days as compared to 65 days for the year ended 31 March 2018. The Group has been committing to strengthen its management efficiency of the credit risks by closely monitoring the credit worthiness and the collection history of its customers.

Pressured by the rising cost during the Period, the Group maintained solid and close relationship with major suppliers, as well as strategically introducing certain quantities of imported raw paper. The trade and bills payables declined to approximately HK\$126.5 million as at 30 September 2018 from approximately HK\$166.2 million as at 31 March 2018. Correspondingly, the trade and bills payables turnover days was shortened to 52 days for the Period (for the year ended 31 March 2018: 58 days). Due to the price fluctuation of raw paper in the PRC, the Group increased raw paper procurement from overseas that required "Letter of Credit" as settlement instead of settling on credit terms. As such, the trade and bills payables turnover days had decreased by 6 days.

During the Period, with steady growth in sales orders generated from the Group's Fujian plant, the Group strived to maintain a certain stock level for its scaled production. The inventories increased to approximately HK\$142.9 million as at 30 September 2018 from approximately HK\$119.7 million as at 31 March 2018. The inventories turnover days had increased to 47 days for the Period (for the year ended 31 March 2018: 38 days). The Group will continue to remain its stringent control over the stock level in order to reduce the inventory risk associated.

Affected by the fluctuating market conditions during the Period, the cash conversion cycle of the Group was 66 days for the Period (for the year ended 31 March 2018: 45 days). The Group will further strengthen its operation efficiency and liquidity, so as to respond better to the potential changes in paper packaging industry as well as improving its financial strength and cash-flow in the long run.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

	30 September 2018	31 March 2018
Current ratio	1.19	1.21
Gearing ratio	31.3%	29.6%

During the Period, the principal sources of working capital of the Group remained to be the cash flow from operating activities and bank borrowings. As at 30 September 2018, the Group's bank balances and cash amounting to approximately HK\$229.3 million (as at 31 March 2018: approximately HK\$257.5 million), excluding pledged deposit of approximately HK\$106.8 million. Furthermore, the Group has unused banking facilities of approximately HK\$488.1 million in order to secure future cashflow.

The current assets held by the Group as at 30 September 2018 decreased slightly to approximately HK\$773.7 million, as compared to approximately HK\$815.3 million as at 31 March 2018. The current liability of the Group decreased to approximately HK\$649.4 million from approximately HK\$672.4 million as at 31 March 2018. The current ratio (current assets divided by current liabilities) as at 30 September 2018 maintained at approximately 1.19 (as at 31 March 2018: approximately 1.21).

As at 30 September 2018, the bank borrowings of the Group were mainly denominated in Hong Kong dollars ("HKD"), all carried floating interest rate were secured, the total outstanding bank borrowings gently increased to approximately HK\$407.1 million from approximately HK\$405.6 million as at 31 March 2018, of which approximately HK\$344.2 million was repayable within one year and approximately HK\$62.9 million was repayable after one years. As at 30 September 2018, bank borrowings are denominated in HKD and RMB.

The Group kept a sound liquidity position during the Period with the gearing ratio (total borrowings divided by total assets) of approximately 31.3% as at 30 September 2018 (as at 31 March 2018: approximately 29.6%). The Group constantly maintained sufficient cash level and banking facilities to meet its working capital requirements for existing operations, as well as to financing 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 2018, the Group pledged certain assets such as bank deposits, buildings and investment properties, with aggregate carrying value of approximately HK\$333.7 million (as at 31 March 2018: approximately HK\$343.4 million), to secure banking facilities granted to the Group.

CAPITAL COMMITMENT

As at 30 September 2018, the Group did not have any capital expenditure contracted but not provided for (as at 31 March 2018: approximately HK\$3.4 million).

As at 30 September 2018, the Group did not have any capital expenditure authorized but not contracted for (as at 31 March 2018: Nil).

Management Discussion and Analysis

CONTINGENT LIABILITIES

During the years ended 31 March 2016, 2017 and 2018, the Inland Revenue Department (“IRD”) issued several estimated assessments and additional assessments for the year of assessment 2009/10, 2010/11 and 2011/12 to six subsidiaries of the Group amounting to HK\$9,852,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates totalling HK\$3,698,500 as of 30 September 2018. IRD has held over the payment of profits tax of HK\$6,153,500 as of 30 September 2018.

EMPLOYEES AND REMUNERATION

As at 30 September 2018, the Group had 1,318 employees in total (as at 31 March 2018: 1,411 employees). During the Period, the Group’s total expenses on the remuneration of employees including emolument of the directors of Come Sure Group (Holdings) Limited (the “Directors”) amounted to approximately HK\$82.0 million (for the six months ended 30 September 2017: approximately HK\$74.7 million).

The remuneration and bonuses of the Directors and senior management are reviewed and approved by the remuneration committee of the Company 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

Looking ahead, the PRC government is committed to tightening existing environmental regulations and introducing sustainable eco-friendly practices in the entire paper industry. Besides, having been influenced by the burgeoning Trade War, the backward production capacity will be eliminated acceleratedly, and the long-term and stable development for the PRC’s paper packaging industry will be greatly dependent on the provision of quality and eco-friendly paper packaging products. Being one of the industry leaders, the Group cares about both of its management enhancement and environmental protection. The Group has been managing to sustain its ongoing financial and operational performance, and will proactively strengthen its competitiveness by upgrading its well-developed value-added products and services. To keep up with the satisfactory demand from its loyal customer base, the Group plans to exploit new production capacity in its existing production lines in Huidong plant, the expansion is expected to become another new growth driver to the Group’s operation in long run.

With the rapid development in e-commerce, logistics and express delivery services, the applications of corrugated paper packaging have been widened. The continuous increase in demand for paper packaging materials will further facilitate higher industrial production standard, causing a rise in the cost of the corrugated paper. Foreseeing such circumstance beforehand, the Group has been enhancing both internally and externally balancing out the increase in operating cost. On one hand, the Group continues to devote its resources in strengthening internal cost control management. On the other hand, the Group keeps on expanding one’s sources of the raw papers and corrugated papers from domestic companies to foreign companies.

The Group is committed to provide one-stop packaging solution services through its product value-added services, and its efforts on the environment protection successfully secured existing orders and attracted more orders from high-end retailers, such as home appliances, audio and video, as well as other electrical products retailers. By providing quality eco-friendly products and value-added services, as well as exploring more raw paper sources, the Group managed to retain its existing customers base while identifying new customers, and provide raw material supply with relatively stable price, enabling itself to maintain the profit level. To keep up with its leading market position, the Group is committed to promoting corporate social responsibility, sustainability, as well as to combining economic and social benefits to create the greatest value for our stakeholders.

Other Information

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

As at 30 September 2018, 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 (the "Listing Rules") Governing the Listing of Securities 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 (Notes 1 & 2)	Interest of a controlled corporation; founder and beneficiary of a discretionary trust	230,292,000	63.56%
	Beneficial owner	1,700,000*	0.47%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	230,292,000	63.56%
	Beneficial owner	1,200,000*	0.33%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	230,292,000	63.56%
	Beneficial owner	600,000*	0.17%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	230,292,000	63.56%
	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 ("**Jade City**"), 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, Mr. CHONG Wa Lam and Mr. CHONG Kam Shing, who is the son of Mr. CHONG Wa Pan.
- Mr. CHONG Kam Chau is the founder, an executive Director and the Chairman. Mr. CHONG Kam Chau is the sole director of Perfect Group and therefore Mr. CHONG Kam Chau is deemed or taken to be interested in the entire issued shares of Perfect Group and the 230,292,000 Shares beneficially owned by Perfect Group for the purposes of the SFO. Mr. CHONG Kam Chau as settlor and a beneficiary of the CHONG Family Trust is also deemed or taken to be interested in the 230,292,000 Shares held by Perfect Group under the SFO.
- Mr. CHONG Wa Pan, the Chief Executive Officer and the President of the Company, together with Mr. CHONG Wa Ching, the executive Director, and Mr. CHONG Wa Lam, the senior management of the Company, all as beneficiaries and Mr. CHONG Kam Shing, the son of Mr. CHONG Wa Pan, as beneficiary of the CHONG Family Trust, are deemed or taken to be interested in entire issued shares of Perfect Group and the 230,292,000 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 2018.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, 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	230,292,000	63.56%
Jade City Assets Limited (Notes 1 & 2)	Interest of controlled corporation	230,292,000	63.56%
HSBC International Trustee Limited (Notes 1 & 2)	Trustee	230,292,000	63.56%
Ms. CHAN Po Ting (Notes 1 & 3)	Family interests; Beneficiary of a discretionary trust	231,992,000	64.03%
Ms. HUNG Woon Cheuk (Note 4)	Family interests	231,492,000	63.90%
Ms. YUEN Chung Yan (Note 5)	Family interests	230,892,000	63.73%
Mr. CHONG Kam Shing (Note 1)	Beneficiary of a discretionary trust	230,292,000	63.56%

Notes:

1. The entire issued shares of Perfect Group are held by Jade City, 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.
2. Such Shares are held by Perfect Group, the entire issued shares of which are held by Jade City. The entire issued capital of Jade City is held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust.
3. 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.
4. Ms. HUNG Woon Cheuk, is the spouse of Mr. CHONG Wa Pan, and Mr. CHONG Kam Shing is children under 18 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 and Mr. CHONG Kam Shing under the SFO.
5. 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 Group 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 Listing Rules during the Period.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 the 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 2018 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 2018	Share options granted during the Period	Share options exercised during the Period	Share options lapsed during the Period	Share options held on 30 September 2018
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 15 to the unaudited consolidated financial statements.

Other Information

EVENTS AFTER THE REPORTING PERIOD

No significant events occurring after the end of the Period up to the date of this report.

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 2018.

Consolidated Statement of profit or loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	652,658	627,147
Cost of goods sold		(516,616)	(484,715)
Gross profit		136,042	142,432
Other income		2,293	3,869
Other gains and losses	4	4,439	6,159
Selling expenses		(28,770)	(27,152)
Administrative expenses		(65,850)	(56,468)
Other operating (expenses) income		(140)	476
Profit from operations		48,014	69,316
Finance costs	5	(7,164)	(5,742)
Gain on dissolve of subsidiaries		-	2,374
Profit before tax		40,850	65,948
Income tax expense	6	(12,362)	(9,771)
Profit for the period	7	28,488	56,177
Other comprehensive (expenses) income for the period: <i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		(45,798)	19,837
Total comprehensive (expenses) income		(17,310)	76,014
Profit for the period attributable to:			
Owners of the Company		26,432	55,894
Non-controlling interests		2,056	283
		28,488	56,177
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(18,034)	74,986
Non-controlling interests		724	1,028
		(17,310)	76,014
Earnings per share	8		
Basic and diluted		7.29 cents	15.43 cents
Dividend	9	-	-

Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Non-current assets			
Prepaid lease payments		44,802	49,818
Property, plant and equipment	10	239,041	271,823
Investment properties		227,100	219,900
Goodwill		11,631	11,631
Deposits paid for acquisition of property, plant and equipment		3,190	3,053
Club membership		366	366
		526,130	556,591
Current assets			
Inventories		142,935	119,713
Trade and bills receivables	11	248,394	260,214
Prepayments, deposits and other receivables		21,987	14,640
Prepaid lease payments		1,121	1,231
Tax recoverables		3,699	2,485
Held-for-trading investments		19,449	26,987
Held-to-maturity investment		-	9,023
Pledged bank deposits		106,786	123,499
Bank and cash balances		229,334	257,513
		773,705	815,305
Current liabilities			
Trade and bills payables	12	126,508	166,174
Accruals and other payables		71,117	83,720
Dividend payables		25,367	-
Amount due to a non-controlling shareholder	13	20,196	20,196
Short-term borrowings		298,399	282,647
Tax payables		34,252	38,177
Long-term borrowings		73,542	81,506
		649,381	672,420
Net current assets		124,324	142,885
Total assets less current liabilities		650,454	699,476
Non-current liabilities			
Long-term borrowings		35,135	41,486
NET ASSETS		615,319	657,990
Capital and reserves			
Share capital	14	3,623	3,623
Reserves		616,680	660,075
Equity attributable to owners of the Company		620,303	663,698
Non-controlling interests		(4,984)	(5,708)
		615,319	657,990

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Attributable to owners of the Company											
	Share capital	Share premium reserve	Special reserve	Share-based payment reserve	Foreign currency translation reserve	Statutory reserve	Other reserve	Contribution reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 April 2018 (audited)	3,623	193,212	105,309	3,579	66,212	33,362	(20)	15,840	242,581	663,698	(5,708)	657,990
Total comprehensive income (expense) for the period	-	-	-	-	(44,466)	-	-	-	26,432	(18,034)	724	(17,310)
Dividend paid (note 9)	-	-	-	-	-	-	-	-	(25,361)	(25,361)	-	(25,361)
Change in equity for the period	-	-	-	-	(44,466)	-	-	-	1,071	(43,395)	724	(42,671)
At 30 September 2018 (unaudited)	3,623	193,212	105,309	3,579	21,746	33,362	(20)	15,840	243,652	620,303	(4,984)	615,319

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Note	Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(43,511)	(13,376)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(5,477)	(4,785)
Proceeds from disposals of property, plant and equipment		121	80
Decrease in pledged bank deposits		16,713	22,405
Increase in deposits paid for acquisition of property, plant and equipment		(521)	(3,468)
Proceed from disposal of held-to-maturity investment		9,185	-
Acquisition of held-for-trading investments		(3,703)	(26,142)
Proceed from disposal of held-for-trading investments		3,622	29,533
Cash outflow from structured foreign currency forward contracts		-	(2,156)
Cash inflow from structured deposits		2,761	1,439
Dividend from held-for-trading investments		123	289
Interest received		1,681	2,046
NET CASH GENERATED FROM INVESTING ACTIVITIES		24,505	19,241
FINANCING ACTIVITIES			
Drawing of new bank borrowings		59,401	76,742
Repayment of bank borrowings		(53,355)	(140,395)
Repayment to non-controlling shareholders		-	(291)
Interest paid		(7,164)	(5,742)
NET CASH USED IN FINANCING ACTIVITIES		(1,118)	(69,686)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,124)	(63,821)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(8,055)	2,060
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		257,513	250,414
CASH AND CASH EQUIVALENTS AT END OF PERIOD		229,334	188,653

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The 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.

The unaudited consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2018 except as stated in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held-for-trading investments 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 consolidated financial statements:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group except for HKFRS 16.

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ¹
HKFRS 16	Leases ¹
HKFRS 17	Insurance contracts ³
HKFRS 10 (Amendments) and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle ¹
HKAS 19 (Amendments)	Employee Benefits ¹
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures ¹
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹

Notes:

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

² Effective date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

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

(Continued)

The Group has provided the information in respect of the financial impact for the adoption of HKFRS 16 in the last annual financial statements. There is no material update on the financial impact as the Group has not entered into any new or renew and/or cancelled lease agreements during the six months ended 30 September 2018.

2.1 Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments

In the current interim period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirement for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement. The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of impairment for financial assets.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**");

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"). In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

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

(Continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

The Directors reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification on the Group's financial assets and the impacts are detailed in "Summary of effects arising from initial application of HKFRS 9".

Summary of effects arising from initial application of HKFRS 9

The following table illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original classification under HKAS39	Original carrying amount under HKAS39 HK\$'000	New classification under HKFRS9	New carrying amount under HKFRS9 HK\$'000
Financial assets				
Trade and bills receivables	Loans and receivables	260,214	At amortised cost	260,214
Other receivables	Loans and receivables	9,142	At amortised cost	9,142
Held-for-trading investments	Held-for-trading financial asset at fair value	26,987	Fair value through profit and loss	26,987
Held-to-maturity investment	Held-to-maturity financial asset at amortised cost	9,023	At amortised cost	9,023
Pledged bank deposits	Loans and receivables	123,499	At amortised cost	123,499
Bank and cash balances	Loans and receivables	257,513	At amortised cost	257,513
		686,378		686,378

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

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

(Continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 9 Financial Instruments (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under expected credit loss model

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model will result in earlier recognition of credit losses, but with no material financial impact to the Group.

2.2 Impacts and changes in accounting policies on application of HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

The Directors reviewed and assessed the new revenue recognition method in accordance with HKFRS 15 at 1 April 2018 based on the facts and circumstances that existed at that date. Since the Group recognised revenue when the goods were delivered, which also implied the “control” of goods were transferred, there were no impact on the timing and amounts of revenue recognised in the respective reporting periods. Accordingly, the adoption of HKFRS 15 has no financial impact to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

3. REVENUE AND SEGMENTAL INFORMATION

Revenue of the Group represents revenue arising on sale of goods and gross rental income earned 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 located in Hong Kong leased out 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 2018

	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 from contracts with customers within the scope of HKFRS 15					
External sales	537,249	113,246	-	-	650,495
Inter-segment sales	30,975	5,947	-	(36,922)	-
	568,224	119,193	-	(36,922)	650,495
Revenue from other sources					
Gross rental income	-	-	2,163	-	2,163
Total	568,224	119,193	2,163	(36,922)	652,658
Segment results	34,455	13,495	7,131		55,081
Interest income					1,681
Fair value changes of held-for-trading investments					(5,674)
Dividend income from held-for-trading investments					123
Income from structured deposits					2,761
Loss on disposal of held-for-trading investments					(10)
Gain on disposal of held-to-maturity investment					162
Finance costs					(7,164)
Corporate income and expenses					(6,110)
Profit before tax					40,850

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

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 from contracts with customers within the scope of HKFRS 15					
External sales	523,691	101,036	-	-	624,727
Inter-segment sales	20,158	7,846	-	(28,004)	-
	543,849	108,882	-	(28,004)	624,727
Revenue from other sources					
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

The accounting policies of the operating segments are the same as the Group's accounting policies as described in the 2018 annual financial statements 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, dividend income from held-for-trading investments, expense on structured foreign currency forward contracts, income from structured deposits, loss on disposal of held-for-trading investments, 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 2018

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 2018				
Segment assets	831,340	155,354	226,310	1,213,004
Segment liabilities	156,791	25,510	937	183,238

	Corrugated products HK\$'000 (audited)	Offset printed corrugated products HK\$'000 (audited)	Properties leasing HK\$'000 (audited)	Total HK\$'000 (audited)
At 31 March 2018				
Segment assets	950,666	143,797	219,348	1,313,811
Segment liabilities	218,318	20,718	1,138	240,174

All assets are allocated to segments other than leasehold land in Hong Kong for corporate use, goodwill, club membership, held-for-trading investments, bank balances managed on central basis, tax recoverables and corporate assets.

All liabilities are allocated to segments other than tax payables, amount due to a non-controlling shareholders, borrowings and corporate liabilities.

4. OTHER GAINS AND LOSSES

	Six months ended 30 September 2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Fair value changes of derivative financial instruments	-	2,176
Fair value changes of held-for-trading investments	(5,674)	1,859
Fair value changes of investment properties	7,200	3,100
Loss on disposal of held-for-trading investments	(10)	(259)
Gain on disposal of held-to-maturity investment	162	-
Expense on structured foreign currency forward contracts	-	(2,156)
Income from structure deposits	2,761	1,439
	4,439	6,159

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For the six months ended 30 September 2018

5. FINANCE COSTS

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on:		
– bank borrowings	7,164	5,261
– other loans	-	202
– amount due to a non-controlling shareholder	-	279
	7,164	5,742

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
– Current tax	1,473	1,595
The People's Republic of China (the "PRC"/"China") Tax:		
– Current tax on enterprise income tax ("EIT")	9,617	8,176
– Withholding tax	1,272	-
	10,889	8,176
	12,362	9,771

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2017: 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 periods.

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.

The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% (six months ended 30 September 2017: 5%) upon distribution of such profits to foreign investors in Hong Kong.

A portion of the Group's profit for the six months ended 30 September 2018 and 2017 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, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

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6. INCOME TAX EXPENSE *(Continued)*

During the years ended 31 March 2016, 2017 and 2018, IRD issued several estimated assessments and additional assessments for the year of assessment 2009/10, 2010/11 and 2011/12 to six subsidiaries of the Group amounting to HK\$9,852,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates totalling HK\$3,698,500 as of 30 September 2018. IRD has held over the payment of profits tax of HK\$6,153,500 as of 30 September 2018.

The Directors are of the opinion that, as at 30 September 2018, the provision for taxation made in the consolidated financial statements is sufficient and not excessive.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 September 2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Depreciation for property, plant and equipment	13,845	11,664
Amortisation of prepaid lease payments	581	2,991
Total depreciation and amortisation	14,426	14,655
Cost of inventories recognised as an expense	515,810	483,836
Direct operating expense of investment properties that generate rental income	806	879
Total cost of goods sold	516,616	484,715
Auditors' remuneration:		
— Audit service	—	—
— Non-audit service	70	70
	70	70
Staff costs:		
— Directors' emoluments	3,024	4,905
— Other staff salaries, bonus and allowances	75,137	66,157
— Retirement benefits scheme contributions (excluding Directors)	3,855	3,605
	82,016	74,667
Operating lease charges in respect of land and buildings	9,336	9,819
Net foreign exchange loss	10,099	2,245

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For the six months ended 30 September 2018

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	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	26,432	55,894

	Number of shares at 30 September	
	2018	2017
	(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 2018 and 2017.

9. DIVIDEND

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend paid during the period		
2018 Final dividend — HK7.00 cents per share (2017 Final dividend: Nil)	25,361	—

The Board does not recommend any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK\$5,477,000 (six months ended 30 September 2017: HK\$4,785,000).

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

11. TRADE AND BILLS RECEIVABLES

Payment terms with customers are mainly on credit, cash on delivery and payment in advance. The credit periods ranged from 15 days to 120 days after the end of the month in which the revenue is recognised and invoiced. The ageing analysis of trade receivables, based on the invoice date, is as follows:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade receivables:		
Not yet due for settlement	215,812	227,698
Overdue:		
1 to 30 days	21,876	20,441
31 to 90 days	7,753	6,791
91 to 365 days	285	567
Over 1 year	13,862	14,549
	259,588	270,046
Less: Allowance for doubtful debts	(12,819)	(13,398)
	246,769	256,648
Bills receivables	1,625	3,566
	248,394	260,214

12. TRADE AND BILLS PAYABLES

The ageing analysis of trade payables, based on the date for settlement, is as follows:

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Trade payables:		
0 to 30 days	76,960	83,488
31 to 90 days	1,114	731
Over 90 days	414	669
	78,488	84,888
Bills payables	48,020	81,286
	126,508	166,174

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For the six months ended 30 September 2018

13. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

	30 September 2018 HK\$'000 (unaudited)	31 March 2018 HK\$'000 (audited)
Amounts due to non-controlling shareholders:		
The amount due are repayable as follows:		
— On demand	20,196	20,196
	20,196	20,196
Less: Amount due for settlement within 12 months (shown under current liabilities)	(20,196)	(20,196)
Amount due for settlement after 12 months	-	-

As at 30 September 2018, the amount of approximately HK\$20,196,000 (31 March 2018: HK\$20,196,000) due to a non-controlling shareholder of a subsidiary, Turbo Best Holdings Limited, is unsecured, non-interest bearing and repayable on demand.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2017, 31 March 2018, 1 April 2018 and 30 September 2018	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2017, 31 March 2018, 1 April 2018 and 30 September 2018	362,300	3,623

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2018

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 2018 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 of Hong Kong 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 2018 and 2017.

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, 31 March 2018, 1 April 2018 and 30 September 2018	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13
Exercisable at 30 September 2018	5,300,000	1.16	4,500,000	1.09	9,800,000	1.13

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For the six months ended 30 September 2018

15. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

No share options have been granted, exercised or lapsed during the Period. The options outstanding at 30 September 2018 have a weighted average remaining contractual life of 1.41 years (as at 31 March 2018: 1.91 years) and the exercise price of HK\$1.13 (as at 31 March 2018: HK\$1.13).

At 30 September 2018, the number of shares in respect of which options have been granted and remained outstanding under the Scheme was 9,800,000 (as at 31 March 2018: 9,800,000), representing 2.70% (as at 31 March 2018: 2.70%) 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%

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.

Since 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 estimation.

16. CAPITAL COMMITMENTS

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

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Capital expenditure contracted but not provided for:		
— Purchase of property, plant and equipment	-	3,401

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17. CONTINGENT LIABILITIES

During the years ended 31 March 2016, 2017 and 2018, IRD issued several estimated assessments and additional assessments for the year of assessment 2009/10, 2010/11 and 2011/12 to six subsidiaries of the Group amounting to HK\$9,852,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates totalling HK\$3,698,500 as of 30 September 2018. IRD has held over the payment of profits tax of HK\$6,153,500 as of 30 September 2018.

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 2018			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at FVTPL				
Held-for-trading investments	19,449	-	-	19,449
	31 March 2018			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at FVTPL				
Held-for-trading investments	26,987	-	-	26,987

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

The Directors 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.

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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 Period:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental in respect of land and buildings paid to a related company owned by Mr. CHONG Kam Chau, the Director (note)	431	339

Note:

Tenancy agreement with a related company

In 2016, the Group entered into two tenancy agreements with a company owned by Mr. CHONG Kam Chau, the Director, for the lease of office premises for a term of three years commencing from 1 April 2017 until 31 March 2020 at prevailing market rates.

Furthermore, several tenancy agreements were entered with the aforesaid company in 2017 for the lease of car parking space with a lease term of one year to half year starting from varies commencement date till 31 December 2018 at prevailing market rates.

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

20. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

21. APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 November 2018.