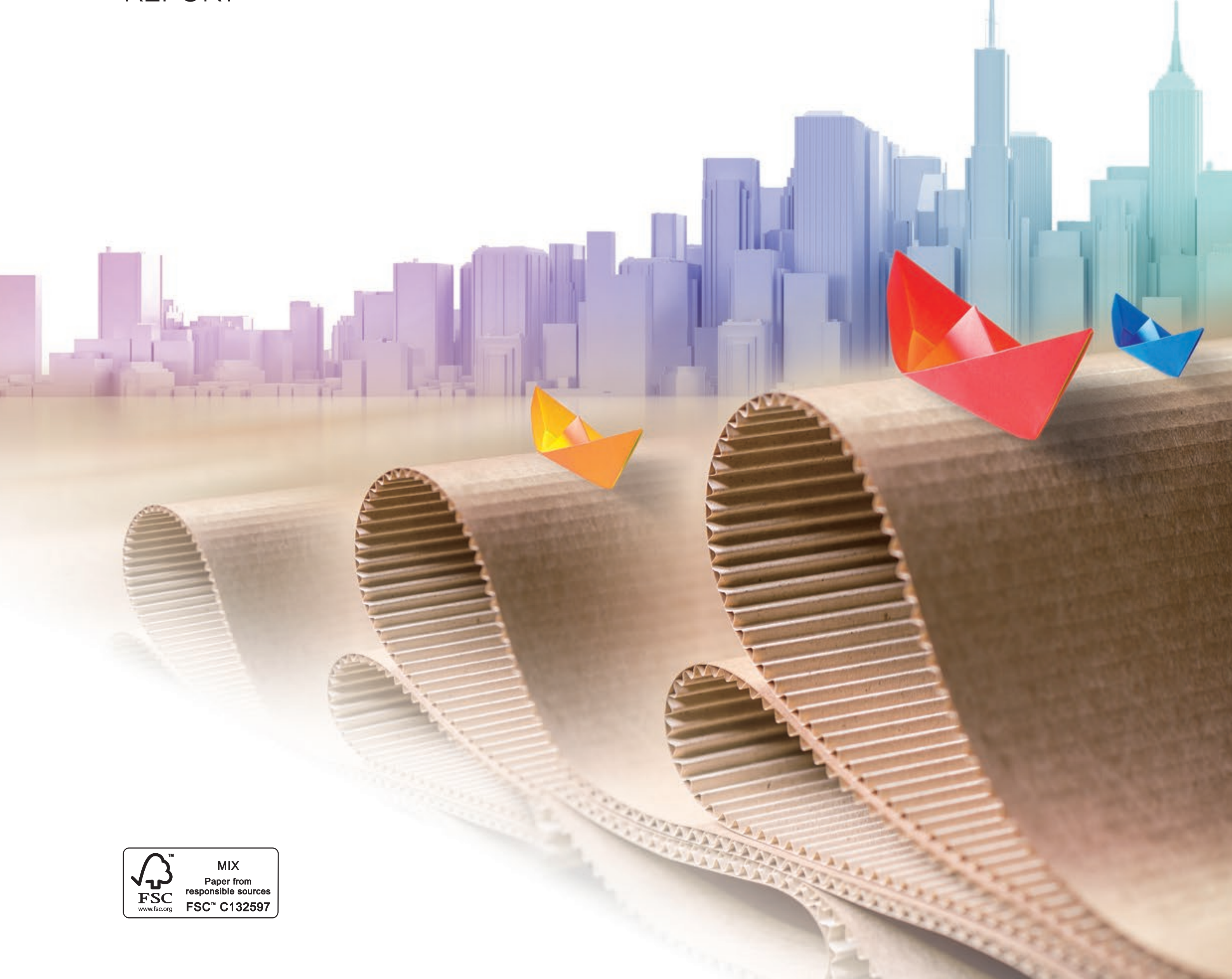
COME SURE

COME SURE Group (Holdings) Limited

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

INTERIM REPORT 2019



MIX
Paper from responsible sources
FSC™ C132597
FSC www.fsc.org

CONTENTS

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:

Howse Williams
27/F, Alexandra House
18 Chater 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
Rooms 1501-8, 15/F
Tai Yau Building
181 Johnston Road
Wan Chai
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

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
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 54
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

The ongoing tension of the China-US trade war (the "**Trade War**") during the six months ended 30 September 2019 (the "**Period**") lead to the downward pressure on factory activities in the People's Republic of China (the "**PRC**" or "**China**") and retail sales due to softer global demand. According to the National Bureau of Statistics of China ("**NBSC**"), China's economy was under mounting slowdown pressure with the Gross Domestic Product growth grinding down to 6.2% for the first three quarters of 2019 (for the corresponding period in 2018: 6.7%). To shrug off the trade tensions amid the Trade War, according to the Opinions of the General Office of the State Council on Accelerating the Development of Circulation Industry and Promoting Consumer Spending delivered by the State Council in August 2019, China has determined to shift focus toward promoting its domestic business prosperity, aiming to stabilise the economic growth momentum on track.

Driven by the rise in e-commerce adoption and online shopping behaviors among Chinese consumers, the total retail sales of consumer goods reached RMB29,667.4 billion for the first three quarters of 2019, according to NBSC, representing a year-on-year ("**YoY**") rise of 8.2%. Positive sales momentum fostered the growth of paper packaging market demand, yet being offset by the slowdown of the manufacturing industry. As per NBSC, China's industrial growth slowed to 4.4% in August 2019, representing the lowest growth since February 2002. Weak factory output continued, implying the increased difficulties in corporate operation and labour market particularly among small and medium sized companies, which further intensified the industrial competition in China.

The tightened policies issued by the PRC government on imported paper with higher tariff and quality requirements during the Period led to an increase in paper production cost, affecting the consumer spending confidence. Along with the fluctuations in supply of paper materials and US Dollar-Renminbi exchange rates during the Period, total profits of large-scaled paper and paper products manufacturers decreased by 20.2% YoY for the first nine months of 2019, according to the statistics from NBSC. Nevertheless, with the increasingly strict environmental regulations, as well as customers' rising expectations, the industry leaders in paper packaging business with proven quality production capabilities and diversified product mix have been getting easier to enhance customer retention and brand loyalty, as well as, to grasp more business opportunities from the industry competitors to increase the market share.

BUSINESS REVIEW

Leveraging on the management's extensive experience and foresight in the paper packaging industry, Come Sure Group (Holdings) Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") had been adjusting its sales strategies to keep up with the market dynamics. Considering the dampened global consumer sentiment from the Trade War, the Group shifted its focus to exploiting the potential customers engaged in the PRC domestic businesses in compensating the slowdown in export business growth, the Group thereby managed to sustain its business volume throughout the Period. Nevertheless, the decrease in raw paper price over the Period brought down the overall selling price and further affected by Renminbi ("**RMB**") depreciation against Hong Kong dollars ("**HKD**" or "**HK$**") throughout the Period, the Group's revenue decreased to approximately HK$533.9 million during the Period (for the corresponding period in 2018: approximately HK$652.7 million). Notwithstanding the revenue generated from the Group's factory in Fujian Province (the "**Fujian Plant**") of approximately HK$96.6 million for the Period is less than the corresponding period in 2018 (approximately HK$127.1 million), its geographical coverage and brand awareness in Fujian and surrounding areas were further enhanced, attracting satisfactory level of sales orders with most of its production capacity efficiently utilised. Having built trustful relationships with the existing customers over the years through its commitment to quality assurance, during the Period, the Group had been seeking for additional export orders from these customers to the regions outside the United States of America, such as Europe, aiming to achieve a long-term sustainable revenue growth.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Attributed to the well-built reputation in the industry, the Group was able to maintain long-standing business relationship with its major suppliers, ensuring stable supplies of raw paper with consistent quality despite the fluctuations in PRC domestic raw materials prices. Riding on its market sensitivity, the Group adopted flexible sourcing strategy, and increased the proportion of imported raw materials during the Period from one of the major suppliers, hence managed to maintain its cost and inventory and logistics management efficiency. Although the corrugated paperboard business of the Fujian Plant generated lower gross profit as compared to that of the Group's main business including corrugated printed cartons and paperwares, which affects the Group's overall gross profit margin, the Group's gross profit margin satisfactorily increased to approximately 22.9% for the Period as compared to approximately 20.8% for the corresponding period in 2018. The gross profit, in line with the downtrend in revenue, decreased to approximately HK$122.2 million (for the corresponding period in 2018: approximately HK$136.0 million).

With negative consequences of the Trade War on the economy in China and Hong Kong resulting in an economic downturn, the property market in Hong Kong fluctuated during the Period. The Group inevitably recorded a decrease in net profit of approximately HK$2.2 million to approximately HK$26.3 million during the Period mainly due to decrease in fair values of investment properties. The Group will keep monitoring the property market and the economic environment to review the performance of its investment portfolio timely with a long-term investment perspective.

RESULTS OF OPERATION

	For the six months ended 30 September			
	2019		2018	
	HK$'000	**(%)**	HK$'000	(%)
Sales of goods				
PRC domestic sales	**419,231**	**78.9**	526,010	80.9
Domestic delivery export sales	**85,243**	**16.0**	100,417	15.4
Direct export sales	**26,905**	**5.1**	24,068	3.7
	531,379	**100.0**	650,495	100.0
Properties leasing				
Rental income	**2,496**		2,163	
Total revenue	**533,875**		652,658	
Gross profit margin		**22.9**		20.8
Net profit margin		**4.9**		4.4

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

To minimise the adverse impact of Trade War on the export businesses during the Period, the Group proactively increased the efforts in reaching the potential customers engaged in the PRC domestic businesses, in order to drive the revenue source for long run. In response to the decrease in the price of raw paper, the Group has appropriately adjusted its selling price downward; the revenue level was dragged down accordingly during the Period. Coupled with the depreciation of RMB against HKD, the Group's revenue decreased to approximately HK$533.9 million during the Period (for the corresponding period in 2018: approximately HK$652.7 million). Nevertheless, to maintain a stable revenue growth in long term, during the Period, the Group has been communicating with its existing customers covering global businesses, in order to seek business opportunities in acquiring additional export orders outside the United States of America.

Guangdong operation

With the impact of the decrease in average selling price and the volatility of RMB exchange rate, the revenue generated from the Guangdong operation dropped by approximately 16.9% to approximately HK$434.8 million during the Period, as compared to approximately HK$523.4 million for the corresponding period in 2018. Having foreseen the anticipated market demand in Huizhou of Guangdong Province, a rapidly developing region in the Greater Bay Area, the Group has been proactively upgrading the production capacity and efficiency in its factory in Huidong of Guangdong Province (the "**Huidong Plant**") through expanding the production area, enhancing the potential to secure larger market shares in the future.

Fujian operation

With the steady progress in the Fujian Plant since its commencement of operation in August 2016, the Fujian Plant has gradually built up a solid and stable customer base in the markets around Fujian Province. Relying on the Group's continuous efforts in maximising production capacity and efficiency, the Fujian Plant managed to maintain relatively stable revenue during the Period. However, with the impact of the RMB depreciation against HKD and the selling price adjustment in response to the decrease in the price of raw paper, Fujian Plant contributed approximately HK$96.6 million (representing a drop of approximately 24.0%) to the Group's revenue during the Period (for the corresponding period in 2018: approximately HK$127.1 million).

Properties leasing

The revenue generated from the properties leasing business gradually increased to approximately HK$2.5 million for the Period (for the corresponding period in 2018: approximately HK$2.2 million).

GROSS PROFIT

The long-standing business relationship with its major suppliers enabled the Group to enjoy stable supplies of quality raw materials, so as to manage the inventory and logistics in an efficient manner. The Group also managed to keep its constant quality and cost efficiency through alternative import sources of raw paper from one of its major suppliers and minimise the risks posed by fluctuations in the price of raw materials during the Period. Notwithstanding the nature of the corrugated paperboard business of the Fujian Plant which generated lower gross profit, resulting in lower gross profit margin and dragged down the Group's overall gross profit margin level, the sustainable development of the Fujian Plant has become another main impetus for the Group's profit growth. Attributed to the Group's efficient internal cost control, the Group's gross profit margin increased to approximately 22.9% for the Period as compared to approximately 20.8% for the corresponding period in 2018. While in line with the decrease in revenue, the Group's gross profit during the Period decreased by approximately 10.1% to approximately HK$122.2 million, in a lesser proportion than the decrease in revenue (for the corresponding period in 2018: approximately HK$136.0 million). The Group will continue its diversified procurement strategies so as to constantly maintain and improve its sound profit margin structure in long term.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT *(Continued)*

Guangdong operation

The Group's Guangdong factories continued to contribute the most to the Group's gross profit, as it mainly engaged in high value-added structural-designed corrugated paperboard and paper-based packaging products business. Equipped with the advanced imported equipment with automated process, operation in the Group's Guangdong factories was carried out with high efficiency and productivity. The gross profit margin of the Guangdong operation was increased to approximately 24.8% during the Period, as compared to approximately 22.5% for the corresponding period in 2018. In line with the decrease in revenue, the gross profit generated from the Guangdong operation for the Period was decreased by approximately 8.6% to approximately HK$107.7 million (for the corresponding period in 2018: approximately HK$117.8 million).

Fujian operation

In line with the decrease in revenue, the gross profit generated from the Fujian Plant decreased to approximately HK$12.2 million (for the corresponding period in 2018: approximately HK$16.9 million). With corrugated paperboard products manufacturing as the main business in the Fujian operation, Fujian Plant generated relatively lower gross profit than the Group's overall gross profit. The gross profit margin of the Fujian operation was approximately 12.6% during the Period as compared to approximately 13.3% for the corresponding period in 2018. Nevertheless, product range of corrugated paperboard has expanded by the Fujian Plant, which is believed to contribute steady profit growth to the Group in long term.

SELLING AND ADMINISTRATIVE EXPENSES

The selling expenses of the Group for the Period maintained at approximately HK$30.7 million (for the corresponding period in 2018: approximately HK$28.8 million). In order to achieve sustainable profitability in the long run, the Group has imposed strengthened control of internal and risk management. The overall administrative expenses of the Group decreased to approximately HK$51.3 million for the Period, as compared to approximately HK$65.9 million for the corresponding period in 2018.

FINANCE COSTS

The finance costs comprised of interest on lease liabilities, according to the adoption of HKFRS 16 Leases, amounting to approximately HK$2.0 million and interest on bank borrowings of approximately HK$7.7 million.

Since the Group adopted the modified retrospective approach on HKFRS 16 Leases accounting since 1 April 2019, no restatement was made to comparative figures for the corresponding period in 2018 in this regard. Due to the increase in average bank borrowings rate, the bank borrowings interest increased to approximately HK$7.7 million during the Period, as compared to approximately HK$7.2 million for the corresponding period in 2018.

OTHER GAINS AND LOSSES

During the Period, the Group recorded other losses of approximately HK$0.7 million (for the corresponding period in 2018: other gains of approximately HK$4.4 million), mainly represented the fair value losses on investment properties of approximately HK$1.7 million (for the corresponding period in 2018: fair value gain of approximately HK$7.2 million) and income from wealth management products reduced to approximately HK$1.6 million (for the corresponding period in 2018: approximately HK$2.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

WORKING CAPITAL

	As at 30 September 2019 Turnover days	As at 31 March 2019 Turnover days
Trade and bills receivables	**77**	72
Trade and bills payables	**54**	53
Inventories	**46**	41
Cash conversion cycle*	**69**	60

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

The Group's trade and bills receivables as at 30 September 2019 was approximately HK$242.0 million (as at 31 March 2019: approximately HK$209.1 million), with the trade and bills receivables turnover days increased to 77 days as compared to 72 days for the year ended 31 March 2019, mainly because the Group accepted a longer credit terms for certain creditworthy customers, considering current economic environment during the Period. The Group continued to strengthen its credit risks management efficiency by closely monitoring the credit worthiness and the collection history of its customers.

The Group's trade and bills payables turnover days slightly increased to 54 days for the Period (for the year ended 31 March 2019: 53 days). The Group's trade and bills payables increased to approximately HK$133.0 million as at 30 September 2019 from approximately HK$109.5 million as at 31 March 2019.

In order to maintain stable production and cost efficiency, the Group enhanced the procurement of raw paper from overseas throughout the Period and maintained its inventories at a sustainable level of approximately HK$112.9 million as at 30 September 2019 (as at 31 March 2019: approximately HK$95.2 million), with the inventories turnover days increased to 46 days for the Period (for the year ended 31 March 2019: 41 days).

As a result, the Group's cash conversion cycle for the Period increased to 69 days (for the year ended 31 March 2019: 60 days). The Group continued to strengthen its operation efficiency and liquidity for long term, especially under the unfavourable market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 September 2019	As at 31 March 2019
Current ratio	**1.21**	1.22
Gearing ratio	**23.9%**	31.0%

During the Period, the principal sources of working capital of the Group remained to be the cash flow from operating activities and bank borrowings. In view of the global economic instability and the unforeseeable interest rate trend, the Group proactively reduced the bank borrowings during the Period. Therefore as at 30 September 2019, the Group's bank and cash balances decreased to approximately HK$164.6 million (as at 31 March 2019: approximately HK$232.3 million), excluding pledged deposit of approximately HK$60.9 million. Furthermore, the Group has unused banking facilities of approximately HK$590.9 million in order to secure future cashflow.

Mainly attributed to the depreciation of RMB against HKD and the repayment of bank borrowings, the current assets held by the Group as at 30 September 2019 decreased to approximately HK$639.0 million, as compared to approximately HK$682.9 million as at 31 March 2019. Also, the current liabilities of the Group decreased to approximately HK$528.2 million as at 30 September 2019 from approximately HK$561.5 million as at 31 March 2019. The Group maintained its current ratio (current assets divided by current liabilities) at a stable level as at 30 September 2019 of approximately 1.21 (as at 31 March 2019: approximately 1.22).

As at 30 September 2019, the total outstanding bank borrowings decreased to approximately HK$297.1 million as at 30 September 2019 from approximately HK$376.5 million as at 31 March 2019, of which approximately HK$278.1 million was repayable within one year and approximately HK$19.0 million was repayable after one year. As at 30 September 2019, all the bank borrowings of the Group were secured, mostly denominated in HKD and RMB and carried floating interest rates.

The Group's gearing ratio (total borrowings divided by total assets) improved during the Period and maintained at a sound liquidity position of approximately 23.9% as at 30 September 2019 (as at 31 March 2019: approximately 31.0%). Having maintained sufficient cash level and banking facilities, the Group is able to meet its working capital requirements for existing operations, as well as financing potential investment opportunities in future.

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 2019, the Group pledged certain assets such as bank deposits, buildings and investment properties, with aggregate carrying value of approximately HK$318.2 million (as at 31 March 2019: approximately HK$323.0 million), to secure banking facilities granted to the Group.

CAPITAL COMMITMENT

As at 30 September 2019, the Group's capital expenditure regarding the expansion of production plant, which is contracted but not provided, was approximately HK$8.8 million (as at 31 March 2019: approximately HK$27.3 million).

As at 30 September 2019, the Group did not have any capital expenditure authorised but not contracted for (as at 31 March 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Inland Revenue Department of Hong Kong ("**IRD**") issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2012/13 to six subsidiaries of the Group amounting to HK$12,782,000. In the opinion of the directors of the Company (the "**Director(s)**"), there are no specific basis for adjusting the subsidiaries' tax position for the years of assessment 2009/10 to 2012/13 specified in the estimated assessment and additional assessment. 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 thereon at 30 September 2019 in this regard (31 March 2019: Nil).

EMPLOYEES AND REMUNERATION

The Group had 1,217 employees in total as at 30 September 2019 (as at 31 March 2019: 1,243). During the Period, the Group's total expenses on the remuneration of employees including emolument of the Directors were approximately HK$71.5 million (for the six months ended 30 September 2018: approximately HK$82.0 million).

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 Mandatory Provident Fund 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.

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

PROSPECT

Looking ahead, the demand for quality paper packaging in the PRC's domestic market is foreseen. According to 2019 Global Consumer Insights Survey China Report issued by PricewaterhouseCoopers, China has been set to overtake the United States of America as the leading retail market and the world's largest eCommerce marketplace by 2019. Huidong of Guangdong Province plays a key role in the Greater Bay Area development policy supported by the PRC government. To capture the thriving consumer market in Huidong of Guangdong Province, the Group has proactively planned for expanding the production area of Huidong Plant, which paves the way for future production line expansion, and further increases the Group's production capacity to satisfy the foreseeable demand.

Given the effects of the Trade War on the exporting orders, the Group will continue to carry through its marketing strategy to expand PRC domestic sales channels. In addition, having built a well-deserved reputation with reliable products and services, the Group has established solid long-term business relationship with its international customers. Leveraging on the Group's customer base, the Group will strive to grasp business opportunities in exporting orders to countries outside the United States of America. The Group believes its multi-channel sales approach will further broaden its customer base and ramp up the revenue over the long run.

Considering the impact from the rise in cost of production and operation, the Group will continue to review the effectiveness of the internal management measures from time to time. The Group values its relationship with the existing suppliers; to resist the pressure from the fluctuated prices of raw material across the industry, the Group will maintain close communication with the suppliers and stick to its diversified sourcing strategy, keeping certain proportion of raw materials supply from domestic and overseas respectively, ensuring the consistent supply, quality and cost efficiency. The Group is determined to continue with its business development amid the economic uncertainties, so as to achieve a sustainable profitability and bring the optimal returns to the shareholders in the long run.

OTHER INFORMATION

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

As at 30 September 2019, 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	233,000,000	66.35%
	Beneficial owner	1,700,000*	0.48%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	66.35%
	Beneficial owner	1,200,000*	0.34%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	66.35%
	Beneficial owner	600,000*	0.17%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	66.35%
	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:

1. 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.

2. 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 233,000,000 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 233,000,000 Shares held by Perfect Group under the SFO.

3. 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 233,000,000 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 2019.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, 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	233,000,000	66.35%
Jade City Assets Limited (Notes 1 & 2)	Interest of controlled corporation	233,000,000	66.35%
HSBC International Trustee Limited (Notes 1 & 2)	Trustee	233,000,000	66.35%
Ms. CHAN Po Ting (Notes 1 & 3)	Family interests; Beneficiary of a discretionary trust	234,700,000	66.83%
Ms. HUNG Woon Cheuk (Note 4)	Family interests	234,200,000	66.69%
Ms. YUEN Chung Yan (Note 5)	Family interests	233,600,000	66.52%
Mr. CHONG Kam Shing (Note 1)	Beneficiary of a discretionary trust	233,000,000	66.35%

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 THE COMPANY'S LISTED SECURITIES

During the Period, the Company repurchased a total of 2,300,000 ordinary shares of HK$0.01 each of the Company on the Stock Exchange at an aggregate consideration of approximately HK$1.5 million (excluding transaction costs). During the Period, all 2,300,000 repurchased shares were subsequently cancelled.

Particulars of the repurchases during the Period are as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
April 2019	742,000	0.80	0.79	593,560
August 2019	1,558,000	0.57	0.54	882,260
	2,300,000			1,475,820

Subsequent to 30 September 2019 and up to the date of this interim report, the Company repurchased a total of 546,000 shares at an aggregate consideration of HK$322,660 (excluding transaction costs), which were subsequently cancelled in October 2019. The number of issued shares of the Company as at the date of this interim report was 350,626,000 shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period and up to the date of this interim report.

CORPORATE GOVERNANCE

The board of Directors (the "**Board**") is committed to maintain 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 applicable 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 the code of conduct for securities transactions by the Directors.

All the Directors 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 the management this interim report.

OTHER INFORMATION

SHARE OPTION SCHEME

Details of the share options outstanding as at 30 September 2019 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 2019	Share options granted during the Period	Share options exercised during the Period	Share options lapsed during the Period	Share options held on 30 September 2019
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 16 to the unaudited consolidated financial statements.

OTHER INFORMATION

EVENTS DURING THE PERIOD

Discloseable Transaction in relation to the Acquisition of Property

On 18 March 2019, Cheer Fame Holdings Limited ("**Cheer Fame**"), an indirect wholly-owned subsidiary of the Company, entered into a provisional agreement with Power Benefit Company Limited ("**Power Benefit**"), an independent third party, pursuant to which Power Benefit conditionally agreed to sell, and Cheer Fame conditionally agreed to acquire a property situated at Shop No. 2, Ground Floor, Ka Hing Building, 41–47 Java Road, North Point, Hong Kong (the "**Property**") at a total consideration of HK$28,000,000. The acquisition of the Property was completed on 13 June 2019 pursuant to the formal sale and purchase agreement entered into between Cheer Fame and Power Benefit regarding the sale and purchase of the Property. For further information, please refer to the announcements of the Company dated 18 March 2019 and 13 June 2019.

Discloseable and Connected Transaction – Non-exercise of pre-emptive rights and the entering into of the deed of adherence

Turbo Best Holdings Limited ("**Turbo Best**") is a joint venture company established by Mass Winner Holdings Limited ("**Mass Winner**"), a wholly-owned subsidiary of the Company and Crown Gold Limited ("**Crown Gold**"), a company which was wholly-owned by Mr. Zhang Cheng Fei (the controlling shareholder of Nine Dragons Paper (Holdings) Limited ("**Nine Dragons**"), a company whose shares are listed on the main board of the Stock Exchange (stock code: 2689)) at that time, pursuant to the joint venture agreement dated 29 July 2010 between Mass Winner and Crown Gold (the "**Joint Venture Agreement**").

Under the Joint Venture Agreement, each of either Mass Winner or Crown Gold may, subject to having given notice to and the consent of the other party, transfer its equity interest to a third party provided that the other party shall be entitled to pre-emptive rights ("**Pre-emptive Rights**") of such transfer. On 13 September 2019, Mass Winner received a notice from Crown Gold in respect of the possible transfer of 40% of the issued share capital of Turbo Best held by Crown Gold ("**Relevant Interest**") to Wiseland International Holdings Limited ("**Wiseland International**"), an indirect wholly-owned subsidiary of Nine Dragons. On 20 September 2019, the Board approved that Mass Winner would not exercise the Pre-emptive Rights to acquire the Relevant Interest under the proposed transfer, and Mass Winner entered into the deed of adherence with Turbo Best, Crown Gold and Wise International dated 20 September 2019, pursuant to which Wiseland International covenants to be bound by all the terms of the Joint Venture Agreement. No consideration was payable or received by the Group pursuant to the non-exercise of the Pre-emptive Rights and the entering into of the deed of adherence. For further details, please refer to the announcements of the Company dated 29 July 2010, 26 July 2019, 20 September 2019 and 3 October 2019.

EVENTS AFTER THE PERIOD

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

PUBLIC FLOAT

As far as the Company is aware, at least 25% of the issued shares of the Company were held in public hands as at 30 September 2019.

On behalf of the Board
CHONG Kam Chau
Chairman

Hong Kong, 29 November 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue	3	**533,875**	652,658
Cost of goods sold		**(411,647)**	(516,616)
Gross profit		**122,228**	136,042
Other income		**6,744**	2,293
Other gains and losses	4	**(692)**	4,439
Selling expenses		**(30,677)**	(28,770)
Administrative expenses		**(51,333)**	(65,850)
Other operating expenses		**(54)**	(140)
Profit from operations		**46,216**	48,014
Finance costs	5	**(9,692)**	(7,164)
Profit before tax		**36,524**	40,850
Income tax expense	6	**(10,199)**	(12,362)
Profit for the period	7	**26,325**	28,488
Other comprehensive expenses:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		**(25,133)**	(45,798)
Other comprehensive expense for the period, net of income tax		**(25,133)**	(45,798)
Total comprehensive income for the period		**1,192**	(17,310)
Profit for the period attributable to:			
Owners of the Company		**26,441**	26,432
Non-controlling interests		**(116)**	2,056
		26,325	28,488
Total comprehensive income for the period attributable to:			
Owners of the Company		**2,949**	(18,034)
Non-controlling interests		**(1,757)**	724
		1,192	(17,310)
Earnings per share			
Basic and diluted	8	**7.48 cents**	7.29 cents
Dividend	9	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

	Notes	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
Non-current assets			
Prepaid lease payments		**42,587**	45,356
Right-of-use assets	2.1, 10	**76,484**	–
Property, plant and equipment	11	**216,012**	236,361
Investment properties		**257,500**	228,500
Goodwill		**11,631**	11,631
Deposits paid for acquisition of investment property		**–**	5,181
Deposits paid for acquisition of property, plant and equipment		**1,920**	2,381
Club membership		**366**	366
		606,500	529,776
Current assets			
Inventories		**112,886**	95,222
Trade and bills receivables	12	**242,005**	209,073
Prepayments, deposits and other receivables		**15,283**	15,270
Prepaid lease payments		**1,096**	1,150
Right-of-use assets	2.1, 10	**9,961**	–
Tax recoverables		**5,711**	5,711
Equity securities at fair value through profit or loss ("**FVTPL**")		**26,487**	29,547
Pledged bank deposits		**60,932**	94,658
Bank and cash balances		**164,596**	232,294
		638,957	682,925
Current liabilities			
Trade and bills payables	13	**133,030**	109,516
Accruals and other payables		**38,674**	40,192
Contract liabilities		**17,915**	13,673
Amounts due to non-controlling shareholders	14	**20,196**	20,196
Short-term bank borrowings		**228,346**	285,969
Tax payables		**20,751**	20,151
Long-term bank borrowings		**59,929**	71,838
Lease liabilities	2.1	**9,314**	–
		528,155	561,535
Net current assets		**110,802**	121,390
Total assets less current liabilities		**717,302**	651,166
Non-current liabilities			
Long-term bank borrowings		**8,843**	18,659
Lease liabilities	2.1	**86,826**	–
		95,669	18,659
NET ASSETS		**621,633**	632,507
Capital and reserves			
Share capital	15	**3,512**	3,535
Reserves		**627,455**	636,549
Equity attributable to owners of the Company		**630,967**	640,084
Non-controlling interests		**(9,334)**	(7,577)
		621,633	632,507

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2019

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium reserve HK$'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$'000	Total equity HK$'000
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
At 1 April 2019 (audited)	3,535	186,394	105,309	3,579	32,896	33,473	(20)	15,840	259,078	640,084	(7,577)	632,507
Impact of change in accounting policies on adoption of HKFRS 16 (note 2.1(b))	–	–	–	–	–	–	–	–	(10,581)	(10,581)	–	(10,581)
At 1 April 2019 (restated)	3,535	186,394	105,309	3,579	32,896	33,473	(20)	15,840	248,497	629,503	(7,577)	621,926
Total comprehensive income for the period	–	–	–	–	(23,492)	–	–	–	26,441	2,949	(1,757)	1,192
Repurchase of ordinary shares	(23)	(1,462)	–	–	–	–	–	–	–	(1,485)	–	(1,485)
Change in equity for the period	(23)	(1,462)	–	–	(23,492)	–	–	–	26,441	1,464	(1,757)	(293)
At 30 September 2019 (unaudited)	3,512	184,932	105,309	3,579	9,404	33,473	(20)	15,840	274,938	630,967	(9,334)	621,633

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2019

	Note	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		**24,318**	(43,511)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	**(4,326)**	(5,477)
Proceeds from disposals of property, plant and equipment		**–**	121
Decrease in pledged bank deposits		**29,690**	16,713
Increase in deposits paid for acquisition of property, plant and equipment		**(307)**	(521)
Proceed from disposal of certificate of deposits measured at amortised costs		**–**	9,185
Acquisition of equity securities at FVTPL		**(400,464)**	(3,703)
Proceed from disposal of equity securities at FVTPL		**401,630**	3,622
Acquisition of investment property		**(25,471)**	–
Cash inflow from wealth management products		**1,577**	2,761
Dividend from equity securities at FVTPL		**114**	123
Interest received		**2,625**	1,681
NET CASH GENERATED FROM INVESTING ACTIVITIES		**5,068**	24,505
FINANCING ACTIVITIES			
Drawing of new bank borrowings		**90,742**	59,401
Repayment of bank borrowings		**(157,068)**	(53,355)
Payment on repurchase of ordinary shares		**(1,485)**	–
Capital element of lease rentals paid		**(6,154)**	–
Interest element of lease rentals paid		**(1,955)**	–
Interest paid		**(7,737)**	(7,164)
NET CASH USED IN FINANCING ACTIVITIES		**(83,657)**	(1,118)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(54,271)**	(20,124)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(13,427)**	(8,055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**232,294**	257,513
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**164,596**	229,334

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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.

The unaudited consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019. 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 2019 except as stated in note 2.

The unaudited consolidated financial statements have been prepared on the historical cost basis except for investment properties and equity securities at FVTPL which were measured at fair value of the reporting date.

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

Except for the application of HKFRS 16, the application of the above new or amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the unaudited consolidated financial statements and/or disclosures set out in the unaudited consolidated financial statements. Details of the impact of the application of HKFRS 16 are set out in note 2.1.

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

Amendments to HKFRS 3	Definition of a Business[1]
HKFRS 17	Insurance contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Notes:

1 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

3 Effective date to be determined.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(ii) Lessee accounting (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 March 2019. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases *(Continued)*

(b) Transitional impact

The Group applies the modified retrospective approach under HKFRS 16, and therefore no restatement is made to the comparative amounts for the corresponding six months ended 30 September 2018 prior to the first adoption of HKFRS 16. A retrospective adjustment to the Group's retained profits (after tax) as at 1 April 2019, for a cumulative decrease in the amount of approximately HK$10,581,000, was recognised only as referred to in the Group's consolidated statement of changes in equity for the six months ended 30 September 2019.

At transition, except for short-term leases of the Group in respect of which the Company or any of its subsidiaries is a lessee and in relation to which the "practical expedient" under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the "**Remaining Leases**") a right-of-use asset, which is measured at its carrying amount as if HKFRS 16 had been applied since the commencement dates of the Remaining Leases, discounted at the Group's incremental borrowing rate as at 1 April 2019.

At transition, lease liabilities were measured at the present value of the Remaining Leases payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. When measuring lease liabilities, the Group discounted lease payments using its weighted average incremental borrowing rate as at 1 April 2019 of 3.8% per annum.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 HK$'000
Operating lease commitments as at 31 March 2019	**161,625**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	**(2,600)**
	159,025
Less: total future interest expenses	**(51,917)**
Total lease liabilities recognised as at 1 April 2019	**107,108**

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. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on internal 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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenues and results

The revenue from sale of corrugated board, corrugated paper-based packing products and offset printed corrugated products are recognised at a point in time when "control" was transferred, while rental income from properties leasing is recognised on a time basis.

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

For the six months ended 30 September 2019

	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	440,476	90,903	–	–	531,379
Inter-segment sales	29,205	15,615	–	(44,820)	–
	469,681	106,518	–	(44,820)	531,379
Revenue from other sources					
Gross rental income	–	–	2,496	–	2,496
Total	469,681	106,518	2,496	(44,820)	533,875
Segment results	37,413	15,833	(575)		52,671
Fair value changes of equity securities at FVTPL					244
Dividend income from equity securities at FVTPL					114
Income from wealth management products					1,577
Loss on disposal of equity securities at FVTPL					(861)
Finance costs					(9,692)
Corporate income and expenses					(7,529)
Profit before tax					36,524

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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)	–
Revenue from other sources	568,224	119,193	–	(36,922)	650,495
Gross rental income	–	–	2,163	–	2,163
Total	568,224	119,193	2,163	(36,922)	652,658
Segment results	36,136	13,495	7,131		56,762
Fair value changes of equity securities at FVTPL					(5,674)
Dividend income from equity securities at FVTPL					123
Income from wealth management products					2,761
Loss on disposal of equity securities at FVTPL					(10)
Gain on disposal of certificate of deposits measured at amortised cost					162
Finance costs					(7,164)
Corporate income and expenses					(6,110)
Profit before tax					40,850

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies as described in the Group's annual financial statements for the year ended 31 March 2019. Segment profits or losses represented the profit earned from each segment without allocation of interest income, fair value changes of equity securities at FVTPL, dividend income from equity securities at FVTPL, income from wealth management products, loss on disposal of equity securities at FVTPL, gain on disposal of certificate of deposits measured at amortised cost, 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.

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)
As at 30 September 2019				
Segment assets	**742,138**	**196,721**	**257,367**	**1,196,226**
Segment liabilities	**169,717**	**26,673**	**1,245**	**197,635**

	Corrugated products HK$'000 (audited)	Offset printed corrugated products HK$'000 (audited)	Properties leasing HK$'000 (audited)	Total HK$'000 (audited)
As at 31 March 2019				
Segment assets	790,120	136,144	228,274	1,154,538
Segment liabilities	140,566	20,239	1,294	162,099

All assets are allocated to segments other than leasehold land in Hong Kong for corporate use, investment properties for capital appreciation, goodwill, club membership, equity securities at FVTPL, bank balances managed on central basis, tax recoverables and corporate assets.

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. OTHER GAINS AND LOSSES

	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Fair value changes of equity securities at FVTPL	**244**	(5,674)
Fair value changes of investment properties	**(1,652)**	7,200
Loss on disposal of equity securities at FVTPL	**(861)**	(10)
Gain on disposal of certificate of deposits measured at amortised cost	**–**	162
Income from wealth management products	**1,577**	2,761
	(692)	4,439

5. FINANCE COSTS

	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Interest on:		
– Bank borrowings	**7,737**	7,164
– Lease liabilities	**1,955**	–
	9,692	7,164

6. INCOME TAX EXPENSE

	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Hong Kong Profits Tax:		
– Current tax	**439**	1,473
The People's Republic of China (the "**PRC**" or "**China**") Tax:		
– Current tax on enterprise income tax ("**EIT**")	**5,408**	9,617
– Withholding tax	**4,352**	1,272
	9,760	10,889
	10,199	12,362

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

6. INCOME TAX EXPENSE *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2018: 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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 Group's subsidiaries in the PRC are subject to EIT at the rate of 25% except that Come Sure Packing Products (Shenzhen) Company Limited is entitled to preferential rate of 15% for the six months ended 30 September 2019 as Come Sure Packing Products (Shenzhen) Company Limited fulfils the requirements of High and New Technology Enterprise ("**HNTE**").

According to the relevant requirements of the Administrative Measures with regard to the Recognition of HNTE, an enterprise which has obtained the HNTE Qualification is entitled to enjoy tax preferential treatment from the year in which the certificate is issued; and in accordance with the relevant requirements of the EIT Law, HNTEs are entitled to enjoy a preferential tax rate at the EIT rate of 15%. Come Sure Packing Products (Shenzhen) Company Limited, therefore enjoys a preferential tax concession and its applicable EIT rate is at the reduced rate of 15% form 1 January 2018 to 31 December 2020. The HNTE designation should be reassessed every three years according to relevant rules and regulations.

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 2018: 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 2019 and 2018 are earned by the subsidiaries of the Group incorporated under the Macao Special Administrative Region's Offshore Law. Pursuant to the Macao Special Administrative Region'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.

During the years ended 31 March 2016, 2017, 2018 and 2019, the IRD issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2012/13 to six subsidiaries of the Group amounting to HK$12,782,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates amounting to HK$5,081,000 in aggregate. IRD has held over the payment of profits tax of HK$7,701,000.

The Directors are of the opinion that, as at 30 September 2019, the provision for taxation made in the unaudited consolidated financial statements is sufficient and not excessive.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 September 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Depreciation and amortisation:		
– Depreciation for property, plant and equipment	**13,958**	13,845
– Depreciation for right-of-use assets	**5,780**	–
– Amortisation of prepaid lease payments	**558**	581
	20,296	14,426
Cost of goods sold:		
– Cost of inventories recognised as an expense	**411,431**	515,810
– Direct operating expense of investment properties that generate rental income	**216**	806
	411,647	516,616
Auditors' remuneration:		
– Audit service	**–**	–
– Non-audit service	**–**	70
	–	70
Staff costs:		
– Directors' emoluments	**3,732**	3,024
– Other staff salaries, bonus and allowances	**64,754**	75,137
– Retirement benefits scheme contributions (excluding Directors)	**3,029**	3,855
	71,515	82,016
Lease payments for leases of land and buildings previously classified as operating lease under HKAS 17	**–**	9,336
Lease payments not included in the measurement of lease liabilities	**1,322**	–
Net foreign exchange loss	**628**	10,099

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	**26,441**	26,432

	Number of shares as at 30 September	
	2019	2018
	(unaudited)	(unaudited)
Weighted average number of ordinary shares at end of period	**353,395,167**	362,300,000

The calculation 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 2019 and 2018.

9. DIVIDEND

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividend recognised as distribution during the period		
2019 final dividend – HK4.00 cents per share (2018 final dividend: HK7.00 cents per share)	**–**	25,361

The final dividend for the year ended 31 March 2019 of HK4.00 cents per share totalling of approximately HK$14,047,000 was distributed subsequent to the Period ended on 23 October 2019.

The Board does not recommend any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

10. RIGHT-OF-USE ASSETS

As discussed in note 2.1(b), the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances as at 1 April 2019 to recognise right-of-use assets relating the Remaining Leases.

During the six months ended 30 September 2019, the Group entered into a lease agreement for the use of factory in Huizhou of Guangdong Province and therefore recognised the additions to right-of-use assets of approximately HK$319,000. Depreciation charges related to the right-of-use assets of approximately HK$5,780,000 is recognised during the period. The net book value of the Group's right-of-use assets at the end of the reporting period was approximately HK$86,445,000.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK$4,999,000.

12. 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 due date for settlement, is as follows:

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
Trade receivables:		
Not yet due for settlement (aged within 120 days)	**204,348**	173,217
Overdue:		
1 to 30 days	**18,142**	14,240
31 to 90 days	**11,938**	17,439
91 to 365 days	**590**	666
Over 1 year	**13,570**	13,956
	248,588	219,518
Less: Allowance for doubtful debts	**(12,638)**	(12,933)
	235,950	206,585
Bills receivables (aged within 90 days)	**6,055**	2,488
	242,005	209,073

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. TRADE AND BILLS PAYABLES

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

	30 September 2019 HK$'000 (unaudited)	31 March 2019 HK$'000 (audited)
Trade payables:		
0 to 30 days	**75,886**	63,176
31 to 90 days	**2,573**	258
Over 90 days	**1,038**	396
	79,497	63,830
Bills payables (aged within 90 days)	**53,533**	45,686
	133,030	109,516

14. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

As at 30 September 2019, the amount of HK$20,196,000 (as at 31 March 2019: 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.

15. SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	**2,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 1 April 2018	362,300	3,623
Repurchase of ordinary shares	(8,828)	(88)
As at 31 March 2019	353,472	3,535
Repurchase of ordinary shares	(2,300)	(23)
As at 30 September 2019	**351,172**	**3,512**

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. 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 annual report for the year ended 31 March 2019 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.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

No share-based payment expense in relation to share options granted by the Company was recognised for the six months ended 30 September 2018 and 2019.

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 as at 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019	5,000,000	1.16	4,800,000	1.10	9,800,000	1.13
Exercisable as at 30 September 2019	5,000,000	1.16	4,800,000	1.10	9,800,000	1.13

No share options have been granted, exercised or lapsed during the Period. The options outstanding as at 30 September 2019 have a weighted average remaining contractual life of 0.41 years (as at 31 March 2019: 0.91 years) and the exercise price of HK$1.13 (as at 31 March 2019: HK$1.13).

As at 30 September 2019, 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 2019: 9,800,000), representing 2.79% (as at 31 March 2019: 2.77%) 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 approximately 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	6.0 years	6.5 years	5.2 years
Dividend yield	3.90%	3.90%	3.90%	4.38%

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The expected volatility was determined by calculating the historical volatility of the listed share 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.

17. CAPITAL COMMITMENTS

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

	30 September 2019 HK$'000	31 March 2019 HK$'000
Capital expenditure contracted but not provided for:		
– Purchase of property, plant and equipment	**8,772**	2,676
– Purchase of investment property	**–**	24,640
	8,772	27,316

18. CONTINGENT LIABILITIES

IRD issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2012/13 to six subsidiaries of the Group amounting to HK$12,782,000. In the opinion of the Directors, there is no specific basis for adjusting the subsidiaries' tax position for the years of assessment 2009/10 to 2012/13 specified in the estimated assessment and additional assessment. 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 thereon at 30 September 2019 in this regard (31 March 2019: Nil). Please also refer to note 6 for details.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

19. 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 instruments 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 instruments 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 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Equity security at FVTPL	**26,487**	**–**	**–**	**26,487**

	31 March 2019			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Equity security at FVTPL	29,547	–	–	29,547

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 unaudited consolidated financial statements approximate to their fair values.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

20. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Rental in respect of land and buildings paid to related companies owned by Mr. CHONG Kam Chau, the Director	**1,279**	431

21. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019. Since the Group applied the modified retrospective approach for the transitional period, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.1.

22. APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements were approved and authorised for issue by the Board on 29 November 2019.