



# COME SURE

## Group (Holdings) Limited

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

INTERIM REPORT  
**2020**



MIX  
Paper from  
responsible sources  
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# CONTENTS

- 2 Corporate Information
- 4 Management Discussion and Analysis
- 11 Other Information
- 16 Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
- 17 Consolidated Statement of Financial Position (Unaudited)
- 18 Condensed Consolidated Statement of Changes in Equity (Unaudited)
- 19 Condensed Consolidated Statement of Cash Flows (Unaudited)
- 20 Notes to the Unaudited Consolidated Financial Statements



# 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:

FA FANG Solicitors  
Room 1806, Floor 18  
COFCO Real Estate Group Center,  
Longjing 2nd 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

Roma Appraisals Limited  
22/F, China Overseas Building,  
139 Hennessy Road,  
Wanchai  
Hong Kong

## REGISTERED OFFICE

*Prior to 16 December 2020:*  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman, KY1-1108  
Cayman Islands

*With effect from 16 December 2020:*  
Windward 3  
Regatta Office Park  
P.O. Box 1350  
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](http://www.comesure.com)

## COMPANY SECRETARY

Ms. BOK Yuk Wan

## AUTHORISED REPRESENTATIVES

Mr. CHONG Wa Pan  
Mr. CHONG Wa Ching

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

Mr. CHONG Wa Ching

## MEMBERS OF AUDIT COMMITTEE

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

## MEMBERS OF REMUNERATION COMMITTEE

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

## MEMBERS OF NOMINATION COMMITTEE

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

## PRINCIPAL BANKERS

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

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

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

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

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ocorian Trust (Cayman) Limited

*Address prior to 16 December 2020:*

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman, KY1-1108  
Cayman Islands

*Address with effect from 16 December 2020:*

Windward 3  
Regatta Office Park  
P.O. Box 1350  
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

Followed by the intensive anti-pandemic measures taken by the People's Republic of China (the "PRC" or "China") government in China in the first quarter of 2020, the domestic business activities resumed effectively and China's economy showed stable recovery during the six months ended 30 September 2020 (the "Period"). However, the cases of the novel coronavirus pandemic continue to spread across the world, further dimming the global economy and business sentiment. The manufacturing industry in China was facing weakened export demand and disrupted supply chain for a prolonged period, and paper packaging producers were no exception. Such phenomenon prompted paper packaging manufacturers to shift their business development plans toward the PRC domestic market. The industry leaders with well-built reputation were capable of distinguishing and grasping business opportunities from the domestic market.

The drastic spread of novel coronavirus pandemic speeded up consumers' preference for online shopping with contactless delivery due to the hygiene concern, gave further stimulus to online retailing growth. According to the National Bureau of Statistics of China (the "NBSC"), the online retail sales in China reached RMB8,006.5 billion, representing a YoY growth of 9.7% during the first nine months of 2020. Driven by the steadily recovered sales momentum during the Period, paper packaging providers actively responded to the emerging market demand by upgrading their packaging products and services. According to the NBSC, sizable paper and paper products manufacturers in China experienced a YoY increase of approximately 13.3% to RMB48.1 billion in total profits during the first nine months of 2020, reflecting that domestic-based industry leaders were gradually recovering from the business suspensions during the Period.

The environmental standard in China continued to raise during the Period, arose from a series of regulations governing pollution. According to the notice titled Further Strengthening Plastic Pollution Control in Business Fields published by Ministry of Commerce of the PRC ("MOC") on 31 August 2020, the consumption of non-degradable plastic products shall be banned with three-phase goals by 2020, 2022 and 2025. The first-phase target is banning non-degradable plastic bags at various locations and scenarios such as shopping malls and catering delivery services by the end of 2020. Paper-based packaging solution, being a sustainable alternative with the least environmental impact, is expected to be used by both business owners and customers in the upcoming years. Persisting the philosophy of maintaining ecological conscience and quality standards, industry leaders engaged in paper packaging businesses were exposed to new opportunities to increase their brand exposures and market shares in the long run.

## BUSINESS REVIEW

After temporary closure of factories during January 2020 to early February 2020 as one of the PRC's countermeasures to control novel coronavirus pandemic, the Group's factories in China resumed their normal operations since mid-February 2020 with the PRC government's prior permission. However, the cases of the novel coronavirus continue to spread across the world in 2020. In light of the unfavorable global market environment impacts brought by the novel coronavirus pandemic, the Group carried on to expand its customers base in the PRC domestic market further, and managed to receive sustainable sales orders during the Period, despite of the fierce competition in the PRC's paper packaging industry. The Group's revenue during the Period achieved a slight increase of approximately 1.8% to approximately HK\$543.4 million, as compared to approximately HK\$533.9 million for the corresponding period in 2019.

Having persisted in high-standard quality control with eco-friendly operation and production, the Group further consolidated its credibility and reputation among the PRC paper packaging industry. Considering the Group's production facilities were approaching their maximum utilisation rate, during the Period, the Group entered into a twenty-year lease agreement with Dongguan City Ruixing Paper Products Company Limited\* (東莞市瑞興紙製品有限公司) commencing on 1 September 2020, as a new factory of the Group in Dongguan for its corrugated paperboards and paper-based packaging products (the "Dongguan Factory I"). Despite the Dongguan Factory I has only been operating for one month during the Period since its commencement of operation, it contributed approximately HK\$19.5 million to the Group's revenue during the Period. It is believed to further enhance the Group's overall production capacity and secure sales orders in the long run. Besides, to proceed with related business expansion, the Group entered into a ten-year lease agreement with Dongguan Manshengjia Shiye Investment Company Limited\* (東莞市滿盛佳實業投資有限公司) for a factory in Dongguan, which focuses on production of offset printed corrugated paper based packaging products, (the "Dongguan Factory II") during the Period. The two factories as abovementioned were expected to assure the Group to enjoy long-term production efficiency for its main business operation and growth.

\* For identification purpose only

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW *(Continued)*

In response to the potential market changes, the Group timely reviewed its stringent internal control and risk management system. Attributed to the long-standing relationship with its main suppliers, the Group was more flexible in sourcing strategy by massive purchase of quality raw paper to maintain cost efficiency as inventory management, despite the supply chains of the global raw paper industry was not yet fully resumed since the novel coronavirus outbreak. Therefore, the Group's gross profit for the Period were slightly increased to approximately HK\$124.0 million and the gross profit margin remained stable at approximately 22.8% (for the corresponding period in 2019: approximately HK\$122.2 million and approximately 22.9% respectively). The diversified customer base would expand the Group's revenue sources and facilitate the Group's sustainable profitability in the long run.

The Group's net profit and net profit margin improved to approximately HK\$34.1 million and approximately 6.3% respectively (for the corresponding period in 2019: approximately HK\$26.3 million and approximately 4.9% respectively), despite the decrease in fair value of investment properties, due to the fluctuation in properties market in Hong Kong in consequence of the economic downturn. The Group will constantly monitor the changing market condition and evaluate its investment portfolio performance in order to enhance its risk tolerance and achieve yield in the long run.

## RESULTS OF OPERATION

	For the six months ended 30 September			
	2020		2019	
	HK\$'000	(%)	HK\$'000	(%)
<i>Sales of goods</i>				
PRC domestic sales	<b>437,911</b>	<b>81.0</b>	419,231	78.9
Domestic delivery export sales	<b>80,864</b>	<b>15.0</b>	85,243	16.0
Direct export sales	<b>21,804</b>	<b>4.0</b>	26,905	5.1
	<b>540,579</b>	<b>100.0</b>	531,379	100.0
<i>Properties leasing</i>				
Rental income	<b>2,812</b>		2,496	
Total revenue	<b>543,391</b>		533,875	
Gross profit margin		<b>22.8</b>		22.9
Net profit margin		<b>6.3</b>		4.9

## REVENUE

Despite the weakened export market due to the wide spread of novel coronavirus pandemic, the Group achieved a revenue of approximately HK\$543.4 million during the Period (for the corresponding period in 2019: approximately HK\$533.9 million), attributed to the Group's strenuous efforts in expanding its paper packaging business in the PRC domestic market. By providing high quality products and services constantly, the Group has established a well-earned reputation in the industry, which supports the Group to expand its business in the PRC domestic market efficiently and seize the business opportunities, and maintain revenue level under the fluctuating business environment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE *(Continued)*

### Guangdong operation

During the Period, the Group's production capacity and efficiency in Guangdong operation were further enhanced with the commencement of operation of Dongguan Factory I on 1 September 2020. The revenue generated from Guangdong operation was increased to approximately HK\$452.1 million during the Period, as compared to approximately HK\$434.8 million for the corresponding period in 2019. Despite the Dongguan Factory I has only been operating for one month during the Period since its commencement of operation, it contributed approximately HK\$19.5 million to the Group's revenue during the Period. The Group had been keeping its focus on the business development in its Guangdong factories, mainly engaged in high value-added business, including high-quality corrugated paperboard and structural-designed paper based packaging products, contributing long-term sustainable business growth to the Group.

### Fujian operation

As a result of the average raw paper price downward adjustment during the Period, the average selling price of Fujian Plant's products decreased accordingly. Fujian Plant contributed approximately HK\$88.5 million to the Group's revenue during the Period (for the corresponding period in 2019: approximately HK\$96.6 million). Being well-recognised as high-quality corrugated paperboard manufacturer, Fujian Plant has maintained a loyal customer base in Fujian province and its surrounding market, giving the Group advantages in expanding its corrugated paperboard business.

### Properties leasing

The revenue generated from the properties leasing business was slightly increased to approximately HK\$2.8 million for the Period (for the corresponding period in 2019: approximately HK\$2.5 million).

## GROSS PROFIT

During the Period, the disrupted supply chain for the raw paper industry was not fully resumed due to the novel coronavirus pandemic. Nonetheless, attributed to the long-standing relationship with its major suppliers, the Group was able to secure sufficient supplies of high quality raw paper, from both domestic and overseas procurement, to maintain cost efficiency as inventory management. The Group's overall gross profit and gross profit margin maintaining at a sound and profitable level of approximately HK\$124.0 million and approximately 22.8%, respectively (for the corresponding period in 2019: approximately HK\$122.2 million and approximately 22.9% respectively).

### Guangdong operation

The Group's Guangdong factories, mainly engaged in high quality corrugated paperboard and high value-added structural-designed paper-based packaging products business, continued to contribute the most to the Group's gross profit during the Period. Following the commencement of operation of the Dongguan Factory I, the Group's production efficiency and capacity were enhanced further. With the effective implementation of sales strategy in exploring the PRC domestic market during the Period, the Group has expanded its customer base in Guangdong province and its surrounding areas. The gross profit generated from the Guangdong operation for the Period increased to approximately HK\$113.9 million (for the corresponding period in 2019: approximately HK\$107.7 million) and the gross profit margin increased correspondingly to approximately 25.2% (for the corresponding period in 2019: approximately 24.8%).

### Fujian operation

Due to the product nature of the corrugated paperboard business in Fujian Plant, Fujian Plant generated relatively lower gross profit than the Group's main business of printed corrugated carton. Nevertheless, Fujian Plant still contributed gross profits to the Group. During the Period, the decrease in average raw paper price had led to a decrease in average unit selling price and resulted in a decrease in gross profit to approximately HK\$7.4 million, as compared to approximately HK\$12.2 million for the corresponding period in 2019. The gross profit margin was approximately 8.4% during the Period, as compared to approximately 12.6% for the corresponding period in 2019. The Group will continue to explore opportunities in the market of Fujian and its surrounding areas.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GROSS PROFIT (Continued)

### Properties leasing

The cost of properties leasing represented the direct outgoings of the investment properties. The gross profit of properties leasing increased to approximately HK\$2.7 million for the Period (for the corresponding period in 2019: approximately HK\$2.3 million).

## SELLING AND ADMINISTRATIVE EXPENSES

As a result of the Group's increased efforts in exploring customers in the PRC market, the selling expenses of the Group for the Period slightly increased to approximately HK\$32.7 million (for the corresponding period in 2019: approximately HK\$30.7 million). The overall administrative expenses of the Group, on the other hand, slightly decreased to approximately HK\$49.9 million for the Period (for the corresponding period in 2019: approximately HK\$51.3 million).

## FINANCE COSTS

The finance costs mainly represented interest expenses on bank borrowings and lease liabilities. Attributed to the Group's lower average bank borrowing rate during the Period, the interest on bank borrowings decreased to approximately HK\$3.7 million (for the corresponding period in 2019: approximately HK\$7.7 million). Upon the application of Hong Kong Financial Reporting Standard ("HKFRS") 16 Leases since 1 April 2019, the Group recorded an interest expenses on lease liabilities for the Period of approximately HK\$1.7 million (for the corresponding period in 2019: approximately HK\$2.0 million).

## OTHER GAINS AND LOSSES

The Group had been keeping an eye on the performance of security market and strengthening its portfolio management for equity securities trading throughout the Period. Therefore, the Group recorded other gains of approximately HK\$1.4 million during the Period (for the corresponding period in 2019: other losses of approximately HK\$0.7 million), mainly represented the fair value gains on equity securities at fair value through profit or loss of approximately HK\$4.8 million, although a fair value loss of approximately HK\$3.8 million on investment properties was recorded during the Period due to negative impact from economic slowdown on the Hong Kong property market. The Group will keep monitoring the changing market condition and striving for long term gains from its investment portfolio.

## WORKING CAPITAL

	30 September 2020 Turnover Days	31 March 2020 Turnover Days
Trade and bills receivables	83	78
Trade and bills payables	67	49
Inventories	52	43
Cash conversion cycle*	68	72

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

Dongguan Factory I had commenced operation since 1 September 2020 and most of the credit terms of these trade and bills receivables range from 15 days to 120 days after the ended of the month which the revenue is recognised. It contributed to an increase in the trade and bills receivables as of 30 September 2020. As such, the Group's trade and bill receivables turnover days increased to 83 days as compared to 78 days for the year ended 31 March 2020. Driven by the sustainable sales orders received by the Group, the Group's trade and bills receivables as at 30 September 2020 increased to approximately HK\$276.2 million (as at 31 March 2020: approximately HK\$219.5 million). The Group had always been strengthening its credit risks management effectively by closely monitoring the creditworthiness and the collection history of its customers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## WORKING CAPITAL *(Continued)*

Following the commencement of operation of Dongguan Factory I, the Group increased procurement of raw paper during the Period in order to ensure continuous smooth daily production. As a result, the Group's trade and bills payables turnover days were prolonged to 67 days for the Period (for the year ended 31 March 2020: 49 days), with an increase in trade and bills payables of approximately HK\$200.2 million as at 30 September 2020 (as at 31 March 2020: approximately HK\$105.3 million).

The Group's inventories increased to approximately HK\$147.0 million as at 30 September 2020 (as at 31 March 2020: approximately HK\$93.4 million), with the inventories turnover days increased to 52 days for the Period (for the year ended 31 March 2020: 43 days).

Despite of the unfavorable market conditions, the Group's cash conversion cycle for the Period improved to 68 days (for the year ended 31 March 2020: 72 days) as summarised from the above.

## LIQUIDITY AND FINANCIAL RESOURCES

	30 September 2020	31 March 2020
Current ratio	<b>1.19</b>	1.18
Gearing ratio	<b>18.7%</b>	22.7%

As at 30 September 2020, the Group's bank and cash balances was approximately HK\$187.0 million (as at 31 March 2020: approximately HK\$176.7 million), excluding pledged deposit of approximately HK\$42.4 million (as at 31 March 2020: approximately HK\$24.0 million). Additionally, the Group had unutilised banking facilities of approximately HK\$471.2 million for securing future cashflow. The principal sources of working capital of the Group remained to be the cash flow from operating activities and bank borrowings.

The increase in inventories and trade and bills receivables, as well as the appreciation of RMB against HKD as at 30 September 2020 mainly contributed to the increase in the Group's current assets to approximately HK\$714.3 million as at 30 September 2020, as compared to approximately HK\$563.9 million as at 31 March 2020. Mainly attributed to the increase in trade and bills payables, the current liabilities of the Group increased to approximately HK\$602.0 million as at 30 September 2020 from approximately HK\$476.8 million as at 31 March 2020. The Group maintained its current ratio (current assets divided by current liabilities) at a stable level as at 30 September 2020 of approximately 1.19 (as at 31 March 2020: approximately 1.18).

The total outstanding bank borrowings maintained at approximately HK\$270.6 million as at 30 September 2020 (as at 31 March 2020: approximately HK\$260.7 million), of which approximately HK\$260.2 million was repayable within one year and approximately HK\$10.4 million was repayable after one year. As at 30 September 2020, 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) was further improved and maintained at a sound liquidity position of approximately 18.7% as at 30 September 2020 (as at 31 March 2020: approximately 22.7%). With effective working capital management, the Group is able to maintain sufficient cash flow and banking facilities for existing business development and future financing investment opportunities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITIONS

On 24 June 2020, Come Sure Packaging Products (Shenzhen) Company Limited\* (錦勝包裝(深圳)有限公司), an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Dongguan City Ruixing Paper Products Company Limited\* (東莞市瑞興紙製品有限公司) (the “**Sale and Purchase Agreement**”), to purchase certain assets and machineries used for the production of corrugated paperboard and paper-based packaging products (the “**Assets**”) at a total consideration of approximately RMB21.9 million (the “**Acquisition**”). The Assets acquired under the Sale and Purchase Agreement are mainly for the purpose of ensuring smooth operation and enhancing the production capacity. The date of delivery of the Assets was 1 September 2020. The Acquisition constitutes a discloseable transaction of the Company. For further details, please refer to the Company’s announcement dated 24 June 2020. On 10 August 2020, the abovementioned two parties entered into a tenancy agreement for a term of twenty years commencing from 1 September 2020. The premises are used as staff quarters and the production plant of the corrugated paperboard and paper-based packaging products (i.e. Dongguan Factory I). The value of the right-of-use asset recognised by the Group under the tenancy agreement amounted to approximately RMB105.6 million. The tenancy agreement, when aggregated with the Acquisition, constitutes a major transaction under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company has obtained written approval in respect of the transaction contemplated under the tenancy agreement from Perfect Group Version Limited, the controlling shareholder of the Company, in lieu of convening a general meeting for approval pursuant to Rule 14.44 of the Listing Rules. Further details are set out in the Company’s announcements dated 10 August 2020, 31 August 2020 and 21 September 2020, and the circular dated 23 September 2020.

On 23 July 2020, Wah Ming Colour Printing (Shenzhen) Company Limited\* (華銘彩印(深圳)有限公司), an indirect wholly-owned subsidiary of the Group, and Dongguan Manshengjia Shiye Investment Company Limited\* (東莞市滿盛佳實業投資有限公司) entered into a tenancy agreement for a term of ten years commencing from the date of delivery (which would be no later than 1 November 2020). The premises are used as staff quarters and the production plant of the offset printed corrugated paper-based packaging products (i.e. Dongguan Factory II). The value of the right-of-use asset recognised by the Group under the tenancy agreement amounted to approximately RMB62.1 million. The transaction contemplated thereunder the tenancy agreement constitutes a major transaction for the Company. The Company has obtained written approval in respect of the transaction contemplated under the tenancy agreement from Perfect Group Version Limited, the controlling shareholder of the Company, in lieu of convening a general meeting for approval, pursuant to Rule 14.44 of the Listing Rules. Further details are set out in the Company’s announcements dated 23 July 2020, 13 August 2020 and 14 September 2020, and the circular dated 8 September 2020.

## 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 2020, the Group pledged certain assets such as bank deposits, buildings and investment properties, with aggregate carrying value of approximately HK\$281.4 million (as at 31 March 2020: approximately HK\$266.7 million), to secure banking facilities granted to the Group.

## CAPITAL COMMITMENT

As at 30 September 2020, the Group’s capital expenditure regarding property, plant and equipment, which were contracted but not provided, was approximately HK\$6.2 million (as at 31 March 2020: approximately HK\$9.0 million).

As at 30 September 2020, the Group did not have any capital expenditure authorised but not contracted for (as at 31 March 2020: Nil).

\* For identification purpose only

# 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 2013/14 to six subsidiaries of the Group amounting to HK\$16,867,000. In the opinion of the directors of the Company (the “**Director(s)**”), there is no specific basis for adjusting the subsidiaries’ tax position for the years of assessment 2009/10 to 2013/14 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 2020 in this regard (as at 31 March 2020: Nil).

## EMPLOYEES AND REMUNERATION

The Group had 1,480 employees in total as at 30 September 2020 (as at 31 March 2020: 1,211). During the Period, the Group’s total expenses on the remuneration of employees including emolument of the Directors were approximately HK\$73.9 million (for the corresponding period in 2019: approximately HK\$71.5 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 and discretionary bonuses, which are generally structured with reference to market terms, are also awarded to eligible employees according to the assessment of individual performance.

## PROSPECT

Looking forward, the global economy will continue to encounter headwind and uncertainties from novel coronavirus pandemic that widely spread across Europe, the U.S. and other countries. Having recognised the weak recovery of retail sales performance in overseas markets, the Group will adhere to its business development strategy of enlarging its market share in the PRC through its strong sales networks, target to offset the reduction in exporting sales from the overseas markets.

The business sentiment in global market will remain challengeable amid the spread of novel coronavirus pandemic. However, consumers’ online shopping habits have been boosted dramatically under anti-pandemic measures such as quarantine and social-distancing requirements. The demand for higher quality paper packaging from the PRC market is also escalating in line with the boom of logistic needs brought by the e-commerce and online shopping. Upon establishment of Dongguan Factory I and Dongguan Factory II as additional factories for corrugated paperboard and paper-based packaging production and offset printed corrugated paper-based packaging products, the Group’s production capacity will be efficiently enhanced, which facilitates the Group to accommodate foreseen customer demand and explore more business opportunities from the PRC market.

In addition to strengthen business development efforts for long-term revenue growth, the Group reviews and strengthens the effectiveness of its internal management from time to time. For the sufficient operation of the main business in paper packaging, the Group will continue to maintain its long-standing relationship with its existing suppliers and its diversified sourcing strategy to import certain amounts of raw materials from abroad, ensuring stable and quality supply to make it less susceptible to market fluctuations. For the Group’s investments, under the unfavorable global economic conditions, the Group will pay additional attention on the property and financial markets, timely review its existing investment portfolio and adjust its investment decisions cautiously when appropriate. Complying with the high standards of corporate governance practices and procedures, the Group has determined to sustain the competitiveness and profitability so as to bring maximum returns to the Group’s shareholders.

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

As at 30 September 2020, 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	67.76%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	67.76%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	67.76%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	67.76%

\* 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.

**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%

## OTHER INFORMATION

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

#### Long positions in the ordinary shares of associated corporation (Continued)

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 2020.

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, 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	67.76%
Jade City Assets Limited (Notes 1 & 2)	Interest of controlled corporation	233,000,000	67.76%
HSBC International Trustee Limited (Notes 1 & 2)	Trustee	233,000,000	67.76%
Ms. CHAN Po Ting (Notes 1 & 3)	Family interests; Beneficiary of a discretionary trust	233,000,000	67.76%
Ms. HUNG Woon Cheuk (Note 4)	Family interests	233,000,000	67.76%
Ms. YUEN Chung Yan (Note 5)	Family interests	233,000,000	67.76%
Mr. CHONG Kam Shing (Note 1)	Beneficiary of a discretionary trust	233,000,000	67.76%

**SUBSTANTIAL SHAREHOLDERS** (Continued)**Long positions in the Shares** (Continued)

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. Therefore, Ms. HUNG Woon Cheuk is deemed or taken to be interested in the interests held by Mr. CHONG Wa Pan under the SFO.
5. Ms. YUEN Chung Yan is the spouse of Mr. CHONG Wa Ching. Therefore, Ms. YUEN Chung Yan is deemed or taken to be interested in the interests held by Mr. CHONG Wa Ching under the SFO.

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

During the Period, the Company repurchased a total of 4,520,000 ordinary shares of HK\$0.01 each of the Company on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of approximately HK\$2.9 million (excluding transaction costs). During the Period, all 5,142,000 repurchased shares were subsequently cancelled including 622,000 ordinary shares which were repurchased in March 2020 and cancelled in April 2020.

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		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
April 2020	1,120,000	0.51	0.51	571,200
July 2020	1,534,000	0.69	0.69	1,058,460
August 2020	1,866,000	0.68	0.66	1,263,280
	4,520,000			2,892,940

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.

**CORPORATE GOVERNANCE**

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.

## OTHER INFORMATION

### MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors.

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

### AUDIT COMMITTEE

The main duties of the audit committee of the Company (the "Audit Committee") are to consider the relationship with 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 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.

### SHARE OPTION SCHEME

Details of the share options outstanding as at 30 September 2020 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 2020	Share options granted during the Period	Share options exercised during the Period	Share options lapsed during the Period	Share options held on 30 September 2020
<b>Independent non-executive Directors</b>								
Mr. CHAU On Ta Yuen	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	-	-	300,000	-
Ms. TSUI Pui Man	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	-	-	300,000	-
Mr. LAW Tze Lun	17 May 2010	13 November 2010 to 16 May 2020	1.05	300,000	-	-	300,000	-
				900,000	-	-	900,000	-
<b>Seven other eligible participants of the Group</b>								
	17 May 2010	13 November 2010 to 16 May 2020	1.05	3,000,000	-	-	3,000,000	-
				3,000,000	-	-	3,000,000	-
				3,900,000	-	-	3,900,000	-

Notes: 1. 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.

### CHANGE OF COMPANY NAME OF PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

With effect from 6 April 2020, the Company's principal share registrar and transfer agent in the Cayman Islands changed its company name from Estera Trust (Cayman) Limited to Ocorian Trust (Cayman) Limited. The address of the principal share registrar and transfer agent of the Company in the Cayman Islands remains unchanged. For further details, please refer to the Company's announcement dated 5 May 2020.

### CHANGES IN INFORMATION OF DIRECTORS

The changes of information of the Directors since the date of the annual report of the Company for the year ended 31 March 2020 which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- Mr. Law Tze Lun is an independent non-executive director of Tak Lee Machinery Holdings Limited, which was transferred from GEM of the Stock Exchange (Stock Code: 8142) to Main Board of the Stock Exchange (Stock Code: 2102) with effect from 6 October 2020.

Save as disclosed above, there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### CHANGE OF FINANCIAL CONTROLLER

On 30 September 2020, Mr. Luk Kwok Tung, Eric resigned from the position of financial controller of the Group. On the same date, Ms. Au On Sin, was appointed as the financial controller of the Group in replace of Mr. Luk Kwok Tung, Eric. For further details, please refer to the Company's announcement dated 30 September 2020.

### EVENTS AFTER THE PERIOD

Save as disclosed in this interim report, the Directors confirm that no significant event that affected the Group has occurred 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 2020.

On behalf of the Board

**CHONG Kam Chau**

*Chairman*

Hong Kong, 30 November 2020



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

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>543,391</b>	533,875
Cost of goods sold		<b>(419,361)</b>	(411,647)
<b>Gross profit</b>		<b>124,030</b>	122,228
Other income		<b>6,733</b>	6,744
Other gains and losses	4	<b>1,441</b>	(692)
Selling expenses		<b>(32,723)</b>	(30,677)
Administrative expenses		<b>(49,941)</b>	(51,333)
Other operating expenses		<b>(291)</b>	(54)
<b>Profit from operations</b>		<b>49,249</b>	46,216
Finance costs	5	<b>(5,429)</b>	(9,692)
<b>Profit before tax</b>		<b>43,820</b>	36,524
Income tax expense	6	<b>(9,728)</b>	(10,199)
<b>Profit for the period</b>	7	<b>34,092</b>	26,325
<b>Other comprehensive income (expense):</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>19,963</b>	(25,133)
Other comprehensive income (expense) for the period, net of income tax		<b>19,963</b>	(25,133)
<b>Total comprehensive income for the period</b>		<b>54,055</b>	1,192
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		<b>34,127</b>	26,441
Non-controlling interests		<b>(35)</b>	(116)
		<b>34,092</b>	26,325
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		<b>53,112</b>	2,949
Non-controlling interests		<b>943</b>	(1,757)
		<b>54,055</b>	1,192
<b>Earnings per share</b>			
Basic and diluted	8	<b>9.81 cents</b>	7.48 cents
<b>Dividend</b>	9	–	–

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
<b>Non-current assets</b>			
Prepaid lease payments		43,715	42,581
Right-of-use assets	10	199,965	79,724
Property, plant and equipment	11	214,827	205,343
Investment properties		239,160	242,860
Goodwill		11,631	11,631
Deposits paid for acquisition of property, plant and equipment		19,526	2,818
Club membership		366	366
		<b>729,190</b>	585,323
<b>Current assets</b>			
Inventories		147,038	93,400
Trade and bills receivables	12	276,179	219,478
Prepayments, deposits and other receivables		21,422	14,055
Tax recoverable		7,755	7,755
Equity securities at fair value through profit or loss ("FVTPL")		32,470	28,529
Pledged bank deposits		42,399	24,008
Bank and cash balances		187,036	176,650
		<b>714,299</b>	563,875
<b>Current liabilities</b>			
Trade and bills payables	13	200,239	105,305
Accruals and other payables		45,223	36,548
Contract liabilities		11,405	12,114
Lease liabilities		6,399	6,168
Amounts due to non-controlling shareholders	14	36,783	36,783
Short-term bank borrowings		255,448	228,335
Tax payables		32,771	21,446
Long-term bank borrowings		13,701	30,082
		<b>601,969</b>	476,781
<b>Net current assets</b>		<b>112,330</b>	87,094
<b>Total assets less current liabilities</b>		<b>841,520</b>	672,417
<b>Non-current liabilities</b>			
Long-term bank borrowings		1,464	2,328
Lease liabilities		202,452	83,630
		<b>203,916</b>	85,958
<b>NET ASSETS</b>		<b>637,604</b>	586,459
<b>Capital and reserves</b>			
Share capital	15	3,439	3,484
Reserves		641,679	591,432
Equity attributable to owners of the Company		645,118	594,916
Non-controlling interests		(7,514)	(8,457)
		<b>637,604</b>	586,459

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2020

	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 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
Adjustment for impact on adoption of HKFRS 16	-	-	-	-	-	-	-	-	(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 (expense) for the period	-	-	-	-	(23,492)	-	-	-	26,441	2,949	(1,757)	1,192
Buy-back 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
At 1 April 2020 (audited) (restated)	<b>3,484</b>	<b>183,341</b>	<b>105,309</b>	<b>1,251</b>	<b>1,467</b>	<b>39,140</b>	<b>(20)</b>	<b>15,840</b>	<b>245,104</b>	<b>594,916</b>	<b>(8,457)</b>	<b>586,459</b>
Total comprehensive income for the period	-	-	-	-	<b>18,985</b>	-	-	-	<b>34,127</b>	<b>53,112</b>	<b>943</b>	<b>54,055</b>
Share option lapsed (note 16)	-	-	-	<b>(1,251)</b>	-	-	-	-	<b>1,251</b>	-	-	-
Buy-back of ordinary shares	<b>(45)</b>	<b>(2,865)</b>	-	-	-	-	-	-	-	<b>(2,910)</b>	-	<b>(2,910)</b>
Change in equity for the period	<b>(45)</b>	<b>(2,865)</b>	-	<b>(1,251)</b>	<b>18,985</b>	-	-	-	<b>35,378</b>	<b>50,202</b>	<b>943</b>	<b>51,145</b>
At 30 September 2020 (unaudited)	<b>3,439</b>	<b>180,476</b>	<b>105,309</b>	-	<b>20,452</b>	<b>39,140</b>	<b>(20)</b>	<b>15,840</b>	<b>280,482</b>	<b>645,118</b>	<b>(7,514)</b>	<b>637,604</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2020

	Note	Six months ended 30 September 2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>52,730</b>	24,318
<b>INVESTING ACTIVITIES</b>			
Repair and maintenance expenses capitalised for investment properties		(136)	–
Purchases of property, plant and equipment	10	(11,503)	(4,326)
(Increase) decrease in pledged bank deposits		(16,995)	29,690
Increase in deposits paid for acquisition of property, plant and equipment		(15,688)	(307)
Additions to right-of-use assets		(3,027)	–
Purchase of equity securities at FVTPL		(23,797)	(400,464)
Proceeds from disposal of equity securities at FVTPL		25,078	401,630
Purchase of investment property		–	(25,471)
Cash inflow from wealth management products		1,162	1,577
Dividend income from equity securities at FVTPL		62	114
Interest received		542	2,625
<b>NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES</b>		<b>(44,302)</b>	5,068
<b>FINANCING ACTIVITIES</b>			
Drawdown of new bank borrowings		133,196	90,742
Repayment of bank borrowings		(122,565)	(157,068)
Payment on buy-back of ordinary shares		(2,910)	(1,485)
Repayment of lease liabilities		(4,975)	(8,109)
Interest paid		(3,711)	(7,737)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(965)</b>	(83,657)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>7,463</b>	(54,271)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>2,923</b>	(13,427)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>176,650</b>	232,294
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>187,036</b>	164,596

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 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 Listing Rules 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 2020. 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 2020 except as stated in note 2.

The 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 each of the end of reporting period.

## 2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **Amendments to HKFRSs that are mandatorily effective for the current period**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19 Related Rent Concessions

The application of the above amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### **New and amendments to HKFRSs issued but not yet effective**

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 HKAS 16	Property, plant and equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contract - Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3	Update Reference to the Conceptual Framework <sup>1</sup>
Amendments to annual improvements project	Annual Improvements to HKFRS 2018-2020 cycle <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for the Group for annual period beginning on 1 January 2022.

<sup>2</sup> Effective for the Group for annual period beginning on 1 January 2023.

<sup>3</sup> Effective date to be determined.

## 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 reports 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 leased in Hong Kong for rental income.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 3. REVENUE AND SEGMENTAL INFORMATION (Continued)

### Segment revenues and results

The revenue from sale of corrugated paperboard, 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 over time.

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

#### For the six months ended 30 September 2020

	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)
<b>Segment revenue from contracts with customers within the scope of HKFRS 15</b>					
External sales	452,698	87,881	–	–	540,579
Inter-segment sales	25,031	17,413	–	(42,444)	–
	477,729	105,294	–	(42,444)	540,579
<b>Revenue from other sources</b>					
Gross rental income	–	–	2,812	–	2,812
<b>Total</b>	<b>477,729</b>	<b>105,294</b>	<b>2,812</b>	<b>(42,444)</b>	<b>543,391</b>
<b>Segment results</b>	<b>36,158</b>	<b>17,156</b>	<b>(1,335)</b>		<b>51,979</b>
Fair value changes of equity securities at FVTPL					4,805
Dividend income from equity securities at FVTPL					62
Income from wealth management products					1,162
Loss on disposal of equity securities at FVTPL					(690)
Finance costs					(5,429)
Other corporate income and expenses					(8,069)
<b>Profit before tax</b>					<b>43,820</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 3. REVENUE AND SEGMENTAL INFORMATION (Continued)

### Segment revenues and results (Continued)

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)
<b>Segment revenue from contracts with customers within the scope of HKFRS 15</b>					
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
<b>Revenue from other sources</b>					
Gross rental income	–	–	2,496	–	2,496
<b>Total</b>	469,681	106,518	2,496	(44,820)	533,875
<b>Segment results</b>					
	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)
Other corporate income and expenses					(7,529)
<b>Profit before tax</b>					36,524

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 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 2020. Segment profits or losses represented the profit earned from each segment without allocation of 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, finance costs and other corporate income and expenses. This is the measurement reported to the chief operating decision makers is for the purpose of resources allocation and performance 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)
<b>As at 30 September 2020</b>				
<b>Segment assets</b>	<b>946,002</b>	<b>199,648</b>	<b>239,100</b>	<b>1,384,750</b>
<b>Segment liabilities</b>	<b>358,020</b>	<b>96,240</b>	<b>1,111</b>	<b>455,371</b>
	Corrugated products HK\$'000 (audited)	Offset printed corrugated products HK\$'000 (audited)	Properties leasing HK\$'000 (audited)	Total HK\$'000 (audited)
<b>As at 31 March 2020</b>				
<b>Segment assets</b>	695,703	156,969	242,761	1,095,433
<b>Segment liabilities</b>	150,699	90,515	1,260	242,474

All assets are allocated to operating 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 recoverable and other corporate assets.

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



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value changes of equity securities at FVTPL	4,805	244
Fair value changes of investment properties	(3,836)	(1,652)
Loss on disposal of equity securities at FVTPL	(690)	(861)
Income from wealth management products	1,162	1,577
	<b>1,441</b>	(692)

## 5. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings	3,704	7,737
– bank overdraft	7	–
– lease liabilities	1,718	1,955
	<b>5,429</b>	9,692

## 6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
– Current tax	1,853	439
PRC Tax:		
– Current tax on enterprise income tax (“EIT”)	7,875	5,408
– Withholding tax	–	4,352
	<b>7,875</b>	9,760
	<b>9,728</b>	10,199

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 6. INCOME TAX EXPENSE (Continued)

### Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profits except for the first HK\$2,000,000 of a qualifying group entity's assessable profit which is calculated at 8.25%, in accordance with the two-tiered profit tax rate regime.

### PRC

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

According to the relevant requirements of the Administrative Measures with regard to the recognition of High and New Technology Enterprise ("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. Furthermore, 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 ("CSP") and Sky Achiever Paper Industrial (Shenzhen) Company Limited ("SAP") are entitled to preferential rate of 15% for the six months ended 30 September 2020 as both of the subsidiaries were qualified as HNTe. CSP and SAP enjoy a preferential tax concession and the applicable EIT rate are at a reduced rate of 15% from 1 January 2018 to 31 December 2020 and 1 January 2019 to 31 December 2021 respectively. The HNTe designation will be reassessed every three years according to relevant rules and regulations.

Apart from the above, certain PRC subsidiaries of the Group concurrently meet the following three conditions classified as small low-profit enterprises. These conditions are: (1) annual taxable amount of not more than RMB3 million; (2) number of employees of not more than 300; and (3) total assets of not exceeding RMB50 million.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises (No. 13 [2019], Ministry of Finance) and Announcement of the State Administration of Taxation on Issues Relating to Implementation of Inclusive Income Tax Relief Policy for Small Low-profit Enterprises (No. 2 [2019] of the State Administration of Taxation), the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB1 million shall be calculated at a reduced rate of 25% as taxable income amount and be subject to EIT at 20% tax rate; the portion over RMB1 million but not exceeding RMB3 million shall be calculated at a reduced rate of 50% as taxable income amount and be subject to EIT at 20% tax rate.

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 2019: 5%) upon distribution of such profits to foreign investors in Hong Kong.

### Macau

A portion of the Group's profit for the six months ended 30 September 2020 and 2019 were 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.

### The Group

During the years ended 31 March 2016 to 2020, the IRD issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2013/14 to six subsidiaries of the Group amounting to HK\$16,867,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates amounting to HK\$6,876,000 in aggregate. IRD has held over the payment of profits tax of HK\$9,991,000.

The Directors are of the opinion that, as at 30 September 2020, the provision for taxation made in the consolidated financial statements is sufficient and not excessive.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 7. PROFIT FOR THE PERIOD

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

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Depreciation and amortisation:		
– Depreciation for property, plant and equipment	<b>10,149</b>	13,958
– Depreciation for right-of-use assets	<b>4,771</b>	5,780
– Amortisation of prepaid lease payments	<b>547</b>	558
	<b>15,467</b>	20,296
Cost of goods sold:		
– Cost of inventories recognised as an expense	<b>419,286</b>	411,431
– Direct operating expense of investment properties that generate rental income	<b>75</b>	216
	<b>419,361</b>	411,647
Staff costs:		
– Directors' emoluments	<b>3,834</b>	3,732
– Other staff salaries, bonus and allowances	<b>69,112</b>	64,754
– Retirement benefits scheme contributions (excluding directors)	<b>944</b>	3,029
	<b>73,890</b>	71,515
Lease payments not included in the measurement of lease liabilities	<b>5,224</b>	1,322
Net foreign exchange loss	<b>3,672</b>	628

## 8. EARNINGS PER SHARE

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

	<b>Earnings for the six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period attributable to owners of the Company	<b>34,127</b>	26,441

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 8. EARNINGS PER SHARE (Continued)

	Number of shares as at 30 September	
	2020 (unaudited)	2019 (unaudited)
Weighted average number of ordinary shares at end of period	<b>347,863,781</b>	353,395,167

The calculation of diluted earnings per share did 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 2020 and 2019.

## 9. DIVIDEND

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Dividend recognised as distribution during the period		
Final dividend for the year ended 31 March 2020 – Nil (Final dividend for the year ended 31 March 2019: HK4.00 cents per share)	–	–

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 2020 (six months ended 30 September 2019: Nil).

## 10. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2020, the Group entered into a lease agreement for the use of factory in Dongguan of the Guangdong province and therefore recognised the additions to right-of-use assets of approximately RMB107,170,000 (equivalent to approximately HK\$118,878,000). Depreciation charges related to the corresponding right-of-use assets of approximately RMB447,000 (equivalent to approximately HK\$495,000) is recognised during the period. The net book value of the corresponding right-of-use assets at the end of the reporting period was approximately RMB106,723,000 (equivalent to approximately HK\$121,453,000).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment of approximately HK\$11,503,000.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 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 aging analysis of trade and bills receivables, based on the due date for settlement, is as follows:

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Trade receivables:		
Not yet due for settlement (aged within 120 days)	<b>215,813</b>	166,599
Overdue:		
1 to 30 days	<b>10,921</b>	6,162
31 to 90 days	<b>7,102</b>	16,271
91 to 365 days	<b>4</b>	3,372
Over 1 year	<b>10,599</b>	10,285
	<b>244,439</b>	202,689
Less: Allowance for expected credit losses	<b>(10,401)</b>	(10,285)
	<b>234,038</b>	192,404
Bills receivables (aged within 90 days)	<b>42,141</b>	27,074
	<b>276,179</b>	219,478

## 13. TRADE AND BILLS PAYABLES

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

	<b>30 September 2020 HK\$'000 (unaudited)</b>	31 March 2020 HK\$'000 (audited)
Trade payables:		
0 to 30 days	<b>124,874</b>	60,959
31 to 90 days	<b>1,019</b>	416
Over 90 days	<b>65</b>	681
	<b>125,958</b>	62,056
Bills payables (aged within 90 days)	<b>74,281</b>	43,249
	<b>200,239</b>	105,305

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 14. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

As at 30 September 2020, the amount of approximately HK\$36,783,000 (as at 31 March 2020: approximately HK\$36,783,000) 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
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
<b>As at 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020</b>	<b>2,000,000</b>	<b>20,000</b>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
As at 1 April 2019	353,472	3,535
Buy-back of ordinary shares	(5,094)	(51)
As at 31 March 2020 and 1 April 2020	348,378	3,484
Buy-back of ordinary shares	(4,520)	(45)
<b>As at 30 September 2020</b>	<b>343,858</b>	<b>3,439</b>

## 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 2020 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 TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 16. SHARE-BASED PAYMENTS (Continued)

### Equity-settled share option scheme (Continued)

Notes:

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

No share-based payment expense in relation to share options granted by the Company was recognised for the six months ended 30 September 2020 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 2019	5,000,000	1.16	4,800,000	1.10	9,800,000	1.13
Share option lapsed	<u>(4,100,000)</u>	1.18	<u>(1,800,000)</u>	1.18	<u>(5,900,000)</u>	1.18
Outstanding as at 31 March 2020 and 1 April 2020	<u>900,000</u>	1.05	<u>3,000,000</u>	1.05	<u>3,900,000</u>	1.05
Share option lapsed	<u>(900,000)</u>	1.05	<u>(3,000,000)</u>	1.05	<u>(3,900,000)</u>	1.05
Outstanding as at 30 September 2020	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-

No share options have been granted or exercised during the six months ended 30 September 2020 and the year ended 31 March 2020.

During the year ended 31 March 2020, all share options under Lot 1, Lot 2 and Lot 3 totalling 5,900,000 share options were lapsed. As at 31 March 2020, the outstanding number of share options represented 3,900,000 Lot 4 share options with a remaining weighted average contractual life of 0.13 years at an exercise price of HK\$1.05 representing 1.12% of the issued share capital of the Company.

The remaining 3,900,000 Lot 4 share options were lapsed during the period ended 30 September 2020. No share options remained outstanding under the Scheme as at 30 September 2020.

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.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 16. SHARE-BASED PAYMENTS (Continued)

### Equity-settled share option scheme (Continued)

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%
Dividend yield	3.90%	3.90%	3.90%	4.38%

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 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (audited)
Capital expenditure contracted but not provided for:		
– Purchase of property, plant and equipment	6,165	8,964

## 18. CONTINGENT LIABILITIES

The IRD issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2013/14 to six subsidiaries of the Group amounting to HK\$16,867,000. 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 2013/14 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 2020 in this regard (as at 31 March 2020: Nil). Please also refer to note 6 for details.

## 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.



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(Continued)

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 2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets at FVTPL</b>				
Equity security at FVTPL	<b>32,470</b>	–	–	<b>32,470</b>

	31 March 2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets at FVTPL</b>				
Equity security at FVTPL	28,529	–	–	28,529

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.

## 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Rental in respect of land and buildings paid to related companies owned by Mr. CHONG Kam Chau, the Director	<b>276</b>	1,279

## 21. APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements were approved and authorised for issue by the Board on 30 November 2020.