



# COME SURE

Group (Holdings) Limited

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

INTERIM  
REPORT  
2021





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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## LEGAL ADVISERS TO THE COMPANY

### As to Hong Kong law:

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

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  
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

## STOCK CODE

794



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

During the six months ended 30 September 2021 (the “**Period**”), with the outbreak of Delta variant of the novel coronavirus (“**COVID-19**” or the “**Pandemic**”) spreading rapidly worldwide and several cities in the People’s Republic of China (the “**PRC**” or “**China**”), the recovery of China’s export trade and global supply chain has become more challenging. Nevertheless, the PRC domestic sales reflected strong adaptability and resilience of the domestic market with effective governmental supportive measures to counteract the Pandemic, with total retail sales of consumer goods registering a year-on-year (“**YoY**”) increase of 16.4% to approximately RMB31,806 billion in the first three quarter of 2021 according to the National Bureau of Statistics of China (the “**NBSC**”). Having realized the demand and growth potential for consumer commodities in the PRC market, the paper packaging manufacturers in China have placed greater focus on the domestic market, while industry leaders who have already deployed forward-looking strategies in expanding their presence in the domestic market are able to seize the opportunities in expanding their customer bases during the Period.

In addition, the PRC government further strengthened the environmental protection standards by imposing new limits to energy consumption and new order of power outages during the Period which affected the production efficiency of numerous factories across China, attributing to China’s economic slowdown during the Period. According to NBSC, China’s economic growth rate was 4.9% YoY in Q3 2021, whilst the corresponding growth rate in Q2 2021 was 7.9% YoY. Coupled with the shortage of domestic supply of raw papers due to the PRC’s government’s initiative in achieving zero import of wastepaper from the beginning of 2021, paper price rose sharply during the Period, causing heavy cost burden on corrugated paper-based packaging manufacturers in sourcing for raw papers. Accordingly, it has become increasingly challenging for these manufacturers to compete and maintain sustainability in such competitive environment unless they have flexible sourcing channels to source sufficient raw papers to sustain their business operations.

The dramatic rise in e-commerce since the ongoing Pandemic and the implementation of social-distancing restrictions has made the notion of online shopping and payment more widely accepted by consumers in China, as statistics in the 2021 Global Consumer Insights Survey China Report issued by PricewaterhouseCoopers showed that over 60% of Chinese customers bought products on a weekly or daily basis online over the past year. This swift to e-commerce in China has further boosted logistic demands during the Period, with the total business volume of express service in China amounting to 76.77 billion parcels for the first three quarters of 2021 and representing a YoY increase of 36.7% according to the statistics of China Post. Further to the PRC’s latest regulations on packaging of mails and express mails which became effective from March 2021, only green and recyclable packaging materials were allowed to be used for mail packing, in replace of non-degradable plastic materials. To ensure the compliance with the new regulations, retailers and express delivery companies have placed more reliance on suppliers that are able to provide quality corrugated paper packaging products, presenting both opportunities and challenges to manufacturers to differentiate themselves from the peers by providing quality and environmentally-friendly products.

## BUSINESS REVIEW

Given the Pandemic-induced drop in export demand from overseas retail and logistics market, the Group kept up its efforts in expanding and diversifying potential customer base in the PRC domestic market during the Period. The Group’s effort has proven effective by achieving stable sales growth with its rising brand recognition in Guangdong and surrounding areas, by attaining an increase in revenue of approximately HK\$630.1 million during the Period, as compared to approximately HK\$543.4 million for the corresponding period in 2020. With the smooth operation and production since September 2020, the Group’s newly established factory in Dongguan city (“**Dongguan Factory I**”) managed to achieved its planned annual production capacity of RMB200 million, allowing the Group to meet the growing demand from regional customers with a satisfactory contribution of approximately HK\$131.7 million to the Group’s revenue during the Period.

The Group’s other factory in Dongguan (“**Dongguan Factory II**”) commenced its production in July 2021 after renovation and evacuation of certain operations from Xinqiao Dongpian area in Shenzhen. Following completion of the evacuation and renovation, Dongguan Factory II had been equipped with more upgraded and advanced automation equipment for its production lines, further enhancing its production efficiency and capacity to drive the Group’s business growth.



## **BUSINESS REVIEW** *(Continued)*

The Group always place great emphasis in nurturing cooperative relationship with its suppliers, with the view of maintaining diversified procurement channels for importing raw papers from overseas and purchasing domestic supplies. However, there is no guarantee for the imported raw papers to arrive in a timely manner during the Period as a result of unexpected delays and postponement in shipping delivery schedule amid the Pandemic. Therefore, the Group had increased its purchase of domestic raw papers as part of risk-control measures during the Period whilst maintaining an optimal level of inventories to meet the production needs. As mentioned above, to comply with the PRC's increasingly stringent regulations on environmental protections (in particular the implementation of power usage restrictions), productions by raw paper manufacturers were adversely affected during the Period, resulting in insufficient supply of raw papers and the corresponding increase in price. With a view of minimising any upward price adjustment(s) resulting from the increase in cost of raw papers in order to retain customers, the Group's gross profit decreased to approximately HK\$82.5 million during the Period (for the corresponding period in 2020: approximately HK\$124.0 million). In addition, although the operation in Dongguan Factory I contributed an increase in corrugated paperboard products, it had a relatively lower gross profit margin due to product nature when compared to the Group's main business of high value-added printed corrugated paper-based packaging products. As a result, the Group's overall gross profit margin decreased to approximately 13.1% during the Period (for the corresponding period in 2020: approximately 22.8%).

With close and regular monitoring of the changes in the economic developments and property market, the Group recorded a fair value gain on its investment properties of approximately HK\$5.9 million during the Period (for the corresponding period in 2020: fair value loss of approximately HK\$3.8 million), despite the fluctuation in the Hong Kong property market due to the adverse impact of the Pandemic.

Nevertheless, the Group recorded net loss of approximately HK\$9.1 million during the Period (for the corresponding period in 2020: net profit of approximately HK\$34.1 million), which was mainly attributable to the one-off expenses associated with the evacuation arrangement resulting from the redevelopment of the Xinqiao Dongpian area. Pursuant to the lease termination agreements in relation to six premises (the "**Premises**") leased by the Group on 18 May 2021 (the "**Lease Termination**"), the Group enjoyed three-month rent-free periods for the Premises and received one-off compensation of approximately RMB46.0 million, which were recognised as other income of the Group for the Period. The costs and expenses in relation to the Lease Termination (including the labour redundancy cost and moving costs) in the amount of approximately RMB54.0 million were recognised during the Period, whilst the gain on lease modifications in respect of the Lease Termination of approximately HK\$13.4 million were recognised in the Group's financial statements for the year ended 31 March 2021. Furthermore, additional costs and expenses, include those additional redundancies and rental cost, incurred due to parallel operations in the Dongguan Factories and the Premises as part of the Lease Termination arrangements to ensure smooth transition and minimal disruption to the Group's operation. For details of the Lease Termination, please refer to the circular of the Company dated 16 July 2021.

As the consequence of the aforementioned factors, the Group recorded net loss of approximately HK\$9.1 million despite the increase in its revenue during the Period. Notwithstanding the factories for the Group's main business operation had been evacuated from Shenzhen, the Group continued to maintain its operation and presence in Shenzhen. In particular, the Group has maintained its operation in a factory located on Yanluo Street of Shenzhen city ("**Yanluo Factory**") which is mainly for used for light industry and supporting facilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS OF OPERATION

	For the six months ended 30 September			
	2021		2020	
	HK\$'000	(%)	HK\$'000	(%)
<i>Sales of goods</i>				
PRC domestic sales	<b>538,319</b>	<b>85.9</b>	437,911	81.0
Domestic delivery export sales	<b>59,883</b>	<b>9.5</b>	80,864	15.0
Direct export sales	<b>28,985</b>	<b>4.6</b>	21,804	4.0
	<b>627,187</b>	<b>100.0</b>	540,579	100.0
<i>Properties leasing</i>				
Rental income	<b>2,864</b>		2,812	
Total revenue	<b>630,051</b>		543,391	
Gross profit margin		<b>13.1</b>		22.8
Net (loss) profit margin		<b>(1.4)</b>		6.3

## REVENUE

During the Period, the Group has placed more emphasis in expanding its market share in response to the growing demand for paper-based packaging products, driven by the accelerated e-commerce development. Leveraging on the enhanced production capabilities in its Dongguan Factory I and II, the Group managed to secure repeating orders from its loyal customers. Therefore, the Group's revenue for the Period increased to approximately HK\$630.1 million, as compared to approximately HK\$543.4 million for the corresponding period of 2020. Having been committed to providing paper-based packaging products and high value-added services beyond industry standard and customer satisfaction, the Group will carry through its various marketing strategies to acquire new customers, so as to ramp up the sales growth and further strengthen its market presence in the PRC market.

### Guangdong operation

The Group has been focusing on its business operations through its Guangdong factories, which are mainly engaged in high value-added business including production of high-quality corrugated paperboard and structural-designed paper-based packaging products. Attributed to the smooth operation of Dongguan Factory I since September 2020, it had contributed approximately HK\$131.7 million to the Group's revenue during the Period and met its maximum annual capacity of RMB200 million to the Group's satisfaction. Besides, the Group's Dongguan Factory II, which commenced operation in July 2021 since its renovations being completed during the Period, assisted the Group in expanding revenue source from Dongguan and surrounding areas. With the efficient and smooth operations at the abovementioned factories, revenue from the Group's Guangdong operation during the Period was increased to approximately HK\$551.7 million, as compared to approximately HK\$452.1 million for the corresponding period in 2020.





## REVENUE *(Continued)*

### Fujian operation

The revenue generated from the Fujian operation was approximately HK\$75.5 million during the five-month period before its disposal which was completed on 31 August 2021 (for the six month ended 30 September 2020: approximately HK\$88.5 million). For details of the disposal, please refer to the announcement of the Company dated 2 July 2021 and the circular of the Company dated 20 August 2021.

### Properties leasing

The revenue generated from the properties leasing business was slightly increased to approximately HK\$2.9 million for the Period (for the corresponding period in 2020: approximately HK\$2.8 million).

## GROSS PROFIT

As mentioned above, price of raw papers was pushed up due to increased demand in domestic market led by decreased supply from overseas' manufacturers caused by lockdown, reduced shipments between countries, and reduced imported wastepaper, etc. Although the Group managed to enjoy sufficient quality raw papers during the Period for its operation and production thanks to the long-standing relationship with its suppliers, the disruption on the global supply chain caused by the Pandemic remained as a challenge for the Group for sourcing raw papers from supplier's overseas base in a timely and cost-efficient manner. The Group therefore was affected by an increment in procurement costs, leading to a decrease in gross profit of approximately HK\$82.5 million for the Period (for the corresponding period in 2020: approximately HK\$124.0 million). Furthermore, since part of the increase in revenue contribution attributable to the mass production of corrugated paperboard at Dongguan Factory I which generated a relatively lower gross profit margin due to its product nature as compared to the Group's high value-added printed corrugated paper-based packaging products, the Group's overall gross profit margin dropped to approximately 13.1% during the Period (for the corresponding period in 2020: approximately 22.8%).

### Guangdong operation

During the Period, the Group's Guangdong factories continued to make the most contribution to the Group's gross profit of approximately HK\$72.4 million during the Period. Mainly attributable to the rising cost pressure from the increment on the price of raw papers and additional redundances and rental costs incurred due to parallel operations caused by the evacuation arrangement throughout the Period, this however represented a decrease as compared to that of approximately HK\$113.9 million for the corresponding period in 2020. Furthermore, with the expended corrugated paperboard business operates in Dongguan Factory I, which generating a relatively lower gross profit margin due to product nature, the gross profit margin of the Group's Guangdong operation for the Period decreased to approximately 13.1% (for the corresponding period in 2020: approximately 25.2%). Nevertheless, despite the decrease in gross profit margin during the Period, the Group believes that the efficient operation at Dongguan Factory I together with the comprehensive automatization system in Dongguan Factory II would allow the Group to enjoy higher efficiency in its production and operation and further boost its production capacity so as to drive steady profit growth in the long run.

### Fujian operation

The gross profit of Fujian operation during the five-month period before its disposal was approximately HK\$7.3 million (for the six month ended 30 September 2020: approximately HK\$7.4 million). For details of the disposal, please refer to the announcement of the Company dated 2 July 2021 and the circular of the Company dated 20 August 2021.

### 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\$2.8 million for the Period (for the corresponding period in 2020: approximately HK\$2.7 million).





# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHER INCOME

During the Period, the Group recorded an increase in other income to approximately HK\$61.8 million (for the corresponding period in 2020: approximately HK\$6.7 million). The increase was mainly due to the one-off compensation received and receivable by the Group during the Period pursuant to the Lease Termination. For details of the Lease Termination, please refer to the circular of the Company dated 16 July 2021.

## SELLING AND ADMINISTRATIVE EXPENSES

The Group strengthened its efforts in expanding customer base from surrounding areas during the Period, following the commencement of operation of Dongguan Factory I and Dongguan Factory II. Therefore, the selling expenses of the Group for the Period increased to approximately HK\$46.6 million (for the corresponding period in 2020: approximately HK\$32.7 million). Attributed to the additional redundancies and rental cost incurred due to parallel operations caused by Lease Termination arrangements, the overall administrative expenses of the Group increased to approximately HK\$61.7 million for the Period (for the corresponding period in 2020: approximately HK\$49.9 million).

## OTHER OPERATING EXPENSES

During the Period, the Group recorded an increase in other operating expenses to approximately HK\$70.2 million (for the corresponding period in 2020: approximately HK\$0.3 million). The increase was mainly due to the one-off expenses arising from the evacuation arrangements of the Group during the Period pursuant to the Lease Termination. For details of the Lease Termination, please refer to the circular of the Company dated 16 July 2021.

## FINANCE COSTS

The finance costs mainly represented interest expenses on bank borrowings and lease liabilities. The Group increased discounted bills throughout the period to retain operation flow and caused an increase in interest on bank borrowings to approximately HK\$4.1 million (for the corresponding period in 2020: approximately HK\$3.7 million). On the other hand, pursuant to Hong Kong Financial Reporting Standard ("HKFRS") 16 Leases, the Group's interest expenses on lease liabilities increased to approximately HK\$10.2 million for the Period (for the corresponding period in 2020: approximately HK\$1.7 million), mainly attributed to the interests on lease liabilities of those new tenancies for Dongguan Factory I, Dongguan Factory II and Yanluo Factory were charged since October 2020 upon first payment of rental.

## OTHER GAINS AND LOSSES

The Group had been keeping an eye on the performance of security market and investment portfolio from time to time. During the Period, the Group recorded other gains of approximately HK\$6.5 million, as compared to approximately HK\$1.4 million for the corresponding period in 2020, mainly represented the fair value gain on investment properties of approximately HK\$5.9 million during the Period, whereas the fair value loss of investment properties for the corresponding period in 2020 was approximately HK\$3.8 million.

## WORKING CAPITAL

	30 September 2021 Turnover Days	31 March 2021 Turnover Days
Trade and bills receivables	89	82
Trade and bills payables	58	53
Inventories	38	40
Cash conversion cycle*	69	69

\* Calculation of the turnover days regarding to the cash conversion cycle = Trade and bills receivable turnover days + Inventories turnover days - Trade and bills payables turnover days



## WORKING CAPITAL *(Continued)*

The Group had adopted stringent credit risks management through closely monitoring the creditworthiness and collection history of customers. The Group's trade and bills receivables as at 30 September 2021 was approximately HK\$294.9 million (as at 31 March 2021: approximately HK\$320.5 million). With the credit terms of trade receivables at Dongguan Factory I ranging from 15 days to 120 days from the month in which the revenue is recognized, the Group's trade and bills receivables turnover days increased to 89 days for the Period as compared to 82 days for the year ended 31 March 2021.

Having experienced rising cost pressure during the Period, the Group had stringent control, on inventories to reduce inventory level by controlling the amount of procurement, as such, the Group's trade and bills payables was decreased to approximately HK\$170.1 million (as at 31 March 2021: approximately HK\$179.5 million). Attributed to the close collaboration relationship with its suppliers, the Group's trade and bills payables turnover days were prolonged to 58 days for the Period (for the year ended 31 March 2021: 53 days).

The Group's inventories decreased to approximately HK\$108.4 million as at 30 September 2021 (as at 31 March 2021: approximately HK\$119.4 million), with the inventories turnover days shortened to 38 days for the Period (for the year ended 31 March 2021: 40 days).

As a result, the Group's cash conversion cycle maintained at 69 days for the Period (for the year ended 31 March 2021: 69 days).

## LIQUIDITY AND FINANCIAL RESOURCES

	30 September 2021	31 March 2021
Current ratio	<b>1.37</b>	1.15
Gearing ratio	<b>15.2%</b>	19.4%

As at 30 September 2021, the Group's bank and cash balances was approximately HK\$125.7 million (as at 31 March 2021: approximately HK\$195.5 million), including pledged deposit of approximately HK\$36.6 million (as at 31 March 2021: approximately HK\$36.9 million). Additionally, the Group had unused banking facilities of approximately HK\$582.1 million as at 30 September 2021 (as at 31 March 2021: approximately HK\$550.5 million) for securing future cashflow. During the Period, the principal sources of working capital of the Group remained to be the cash flow from operating activities and bank borrowings.

Due to the decrease in trade and bills receivables and payables, the current assets and the current liabilities of the Group as at 30 September 2021 decreased to approximately HK\$604.4 million and approximately HK\$440.2 million respectively (as at 31 March 2021: approximately HK\$678.8 million and approximately HK\$589.5 million respectively). The current ratio (current assets divided by current liabilities) as at 30 September 2021 was improved to 1.37 (as at 31 March 2021: 1.15).

As at 30 September 2021, the total outstanding bank borrowings decreased to approximately HK\$203.9 million (as at 31 March 2021: approximately HK\$290.3 million), of which approximately HK\$161.4 million was repayable within one year and approximately HK\$42.5 million was repayable after one year. As at 30 September 2021, 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 to approximately 15.2% as at 30 September 2021 which maintained at a sound liquidity position (as at 31 March 2021: approximately 19.4%). Having maintained sufficient cash level and banking facilities, the Group is able to enjoy the flexibility in managing its capital for existing operations, as well as financing potential investment opportunities in future.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 if necessary.

## CHARGE OF ASSETS

As at 30 September 2021, the Group pledged certain assets such as bank deposits, buildings and investment properties, with aggregate carrying value of approximately HK\$287.5 million (as at 31 March 2021: approximately HK\$282.0 million), to secure banking facilities granted to the Group.

## CAPITAL COMMITMENT

As at 30 September 2021, the Group's capital expenditure regarding property, plant and equipment, which were contracted but not provided, was approximately HK\$24.1 million (as at 31 March 2021: approximately HK\$10.2 million).

As at 30 September 2021, the Group did not have any capital expenditure that is authorized but not contracted for (as at 31 March 2021: Nil).

## CONTINGENT LIABILITIES

The Inland Revenue Department of Hong Kong ("IRD") issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2014/15 to six subsidiaries of the Group amounting to HK\$21,717,000. 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 2014/15 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 as at 30 September 2021 in this regard (as at 31 March 2021: Nil).

## DISPOSAL OF SUBSIDIARIES

On 2 July 2021, the Group entered into a share purchase agreement with a wholly-owned subsidiary of Nine Dragons Paper (Holdings) Limited to dispose the entire equity interest of 60% shareholding of Turbo Best Holdings Limited and its subsidiaries at a consideration of not higher than HK\$100 million (the "Disposal"). The Disposal was completed on 31 August 2021 with a final consideration of approximately HK\$93.1 million. Upon completion of the Disposal, the Group recognised a gain on disposal of subsidiaries amounting to approximately HK\$31.4 million with a receivable of approximately HK\$22.1 million as of 30 September 2021. For further details of the Disposal, please refer to the announcement of the Company dated 2 July 2021 and the circular of the Company dated 20 August 2021.

## EMPLOYEES AND REMUNERATION

The Group had 1,184 employees in total as at 30 September 2021 (as at 31 March 2021: 1,469). During the Period, the Group's total expenses on the remuneration of employees including emolument of the Directors were approximately HK\$103.1 million (for the corresponding period in 2020: approximately HK\$73.9 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 MPF scheme, competitive remuneration packages, discretionary bonuses, as well as employee share options, which are generally structured with reference to market terms, are also awarded to eligible employees according to the assessment of individual performance.

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.

## PROSPECT

Looking ahead, the global economic recovery remains uncertain with the long-lasting impact of the Pandemic. Coupled with the rise in cases relating to the new Omicron variant of COVID-19, continued disruption in global supply-chain and logistics could be foreseen in near future. However, e-commerce market in China will continue its rapid growth as customers are increasingly relying on online shopping experience amid the Pandemic, which is expected to accelerate the growth in demand for delivery-used paper packaging products. The Group will continue to proceed with its long-term business development plans, by making constant efforts to achieve a broader customer reach in the PRC domestic market and leveraging its long-established reputation and industry expertise. With the mass production capacity of the Group's Dongguan Factory I and the commencement of production at Dongguan Factory II, the Group's production efficiency would be able to facilitate the Group to accommodate the uprising demand in the future and thus promote the Group's operational capability for a sustainable business growth in the long run.

With the PRC's strong commitments to environmental governance, industrial standard for green and sustainable operation has been upgraded, giving rise to price surge in raw papers as a consequence of the increase in ongoing production cost. The Group will maintain regular communication with long-term suppliers to adjust the procurement plan in a timely and cost-effective manner, in a pursuit of business sustainability and resilience during volatile markets. Having integrated economic and social corporate ideologies into business development, the Group always prioritizes high standards of corporate governance practices as one of the leading manufacturers in paper-based packaging industry, and will continue to strengthen internal management of cost and risk control, so as to achieve sustainable improvement in financial performance. To keep in pace with the market trend, the Group will maintain prudent investment planning management by reviewing its investment strategies and portfolio from time to time, in order to enhance its profitability and maximise the returns to shareholders in long run.



## OTHER INFORMATION

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

As at 30 September 2021, 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%

#### 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%

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES** (Continued)**Long positions in the ordinary shares of associated corporation** (Continued)

Notes:

- The entire issued shares of Perfect Group Version Limited ("**Perfect Group**") are held by Jade City Assets Limited ("**Jade City**"), which is in turn held by HSBC International Trustee Limited acting as the trustee of the CHONG Family Trust. The CHONG Family Trust is an irrevocable discretionary trust set up by Mr. CHONG Kam Chau as settlor and HSBC International Trustee Limited as trustee on 2 February 2009. The beneficiaries of the CHONG Family Trust include Mr. CHONG Kam Chau, Ms. CHAN Po Ting, Mr. CHONG Wa Pan, Mr. CHONG Wa Ching, Mr. CHONG Wa Lam and Mr. CHONG Kam Shing, who is the son of Mr. CHONG Wa Pan.
- Mr. CHONG Kam Chau is the founder, an executive Director and the Chairman. Mr. CHONG Kam Chau is the sole director of Perfect Group and therefore Mr. CHONG Kam Chau is deemed or taken to be interested in the entire issued shares of Perfect Group and the 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.
- 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 2021.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2021, 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%



## OTHER INFORMATION

### **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**

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.

### **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

On 5 February 2009, the Company conditionally adopted the share option scheme (the “**Scheme**”) whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company to, inter alia, any employees (full-time or part-time), directors, consultants and advisers or any substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 26 February 2009 and shall be valid and effective for a period of ten years commencing on 5 February 2009, subject to the early termination provisions contained in the Scheme. The Scheme was already expired as at the date of this interim report.

As at 30 September 2021 and as at the date of this interim report, there were no outstanding share options under the Scheme. For details of the value of the options previously granted under the Scheme, please refer to note 19 to the unaudited consolidated financial statements.

### 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 2021 which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- Mr. Chau On Ta Yuen has been re-designated from an independent non-executive Director to an executive Director and appointed as the Chairman of Good Resources Holdings Limited (formerly known as Good Fellow Resources Holding Limited) (Stock Code: 109) with effect from 23 September 2021.
- Mr. Law Tze Lun has resigned as an independent non-executive Director of Gemini Investments (Holdings) Limited (Stock code: 174) with effect from 13 October 2021 and an independent non-executive director of Justin Allen Holdings Limited (Stock Code: 1425) with effect from 30 November 2021.

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.

### EVENTS AFTER THE PERIOD

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 2021.

On behalf of the Board  
**CHONG Kam Chau**  
*Chairman*

Hong Kong, 30 November 2021



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

For the six months ended 30 September 2021

	Notes	Six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>630,051</b>	543,391
Cost of goods sold		<b>(547,530)</b>	(419,361)
<b>Gross profit</b>		<b>82,521</b>	124,030
Other income	4	<b>61,842</b>	6,733
Other gains and losses	5	<b>6,469</b>	1,441
Selling expenses		<b>(46,562)</b>	(32,723)
Administrative expenses		<b>(61,707)</b>	(49,941)
Other operating expenses	6	<b>(70,195)</b>	(291)
<b>(Loss) profit from operations</b>		<b>(27,632)</b>	49,249
Finance costs	7	<b>(14,360)</b>	(5,429)
Gain on disposal of subsidiaries	18	<b>31,378</b>	–
<b>(Loss) profit before tax</b>		<b>(10,614)</b>	43,820
Income tax credit (expense)	8	<b>1,501</b>	(9,728)
<b>(Loss) profit for the period</b>	9	<b>(9,113)</b>	34,092
<b>Other comprehensive income:</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>7,654</b>	19,963
Release of translation reserve upon disposal of subsidiaries		<b>(890)</b>	–
Other comprehensive income for the period, net of income tax		<b>6,764</b>	19,963
<b>Total comprehensive (expense) income for the period</b>		<b>(2,349)</b>	54,055
<b>(Loss) profit for the period attributable to:</b>			
Owners of the Company		<b>(8,216)</b>	34,127
Non-controlling interests		<b>(897)</b>	(35)
		<b>(9,113)</b>	34,092
<b>Total comprehensive (expense) income for the period attributable to:</b>			
Owners of the Company		<b>(2,058)</b>	53,112
Non-controlling interests		<b>(291)</b>	943
		<b>(2,349)</b>	54,055
<b>(Loss) earnings per share</b>			
Basic and diluted	10	<b>(2.39) cents</b>	9.81 cents
<b>Dividend</b>	11	–	–

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2021

	Notes	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
<b>Non-current assets</b>			
Prepaid lease payments		30,703	44,867
Right-of-use assets		235,341	244,543
Property, plant and equipment	12	185,357	249,814
Investment properties		251,180	245,280
Goodwill		11,631	11,631
Deposits paid for acquisition of property, plant and equipment		18,213	14,082
Rental deposits		3,520	3,348
Club membership		366	366
		<b>736,311</b>	813,931
<b>Current assets</b>			
Inventories		108,362	119,412
Trade and bills receivables	13	294,900	320,499
Prepayments, deposits and other receivables	14	63,450	25,742
Tax recoverable		10,188	15,713
Equity securities at fair value through profit or loss ("FVTPL")		1,771	1,916
Pledged bank deposits		36,578	36,943
Bank and cash balances		89,151	158,563
		<b>604,400</b>	678,788
<b>Current liabilities</b>			
Trade and bills payables	15	170,121	179,475
Accruals and other payables		49,012	51,029
Contract liabilities		2,044	7,668
Lease liabilities		9,173	10,167
Amount due to non-controlling shareholder	16	–	44,783
Short-term bank borrowings		150,222	244,187
Tax payables		19,267	22,024
Long-term bank borrowings		40,331	30,125
		<b>440,170</b>	589,458
<b>Net current assets</b>		<b>164,230</b>	89,330
<b>Total assets less current liabilities</b>		<b>900,541</b>	903,261
<b>Non-current liabilities</b>			
Long-term bank borrowings		13,300	15,989
Lease liabilities		232,591	233,867
		<b>245,891</b>	249,856
<b>NET ASSETS</b>		<b>654,650</b>	653,405
<b>Capital and reserves</b>			
Share capital	17	3,439	3,439
Reserves		652,912	655,028
Equity attributable to owners of the Company		656,351	658,467
Non-controlling interests		(1,701)	(5,062)
		<b>654,650</b>	653,405

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2021

	Attributable to owners of the Company											
	Share capital	Share premium reserve	Special reserve	Share-based payment reserve	Foreign currency translation reserve	Statutory reserve	Other reserve	Contribution reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2020 (audited) (restated)	3,484	183,341	105,309	1,251	1,467	39,140	(20)	15,840	245,104	594,916	(8,457)	586,459
Total comprehensive income for the period	-	-	-	-	18,985	-	-	-	34,127	53,112	943	54,055
Share option lapsed (note 19)	-	-	-	(1,251)	-	-	-	-	1,251	-	-	-
Buy-back of ordinary shares	(45)	(2,865)	-	-	-	-	-	-	-	(2,910)	-	(2,910)
Change in equity for the period	(45)	(2,865)	-	(1,251)	18,985	-	-	-	35,378	50,202	943	51,145
At 30 September 2020 (unaudited)	3,439	180,476	105,309	-	20,452	39,140	(20)	15,840	280,482	645,118	(7,514)	637,604
At 1 April 2021 (audited)	<b>3,439</b>	<b>180,476</b>	<b>105,309</b>	-	<b>40,602</b>	<b>40,329</b>	<b>(20)</b>	<b>15,840</b>	<b>272,492</b>	<b>658,467</b>	<b>(5,062)</b>	<b>653,405</b>
Total comprehensive income for the period	-	-	-	-	6,158	-	-	-	(8,216)	(2,058)	(291)	(2,349)
Disposal of subsidiaries (note 18)	-	-	-	-	-	(58)	-	-	-	(58)	3,652	3,594
Change in equity for the period	-	-	-	-	6,158	(58)	-	-	(8,216)	(2,116)	3,361	1,245
At 30 September 2021 (unaudited)	<b>3,439</b>	<b>180,476</b>	<b>105,309</b>	-	<b>46,760</b>	<b>40,271</b>	<b>(20)</b>	<b>15,840</b>	<b>264,276</b>	<b>656,351</b>	<b>(1,701)</b>	<b>654,650</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2021

	Notes	Six months ended 30 September 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>11,005</b>	52,730
<b>INVESTING ACTIVITIES</b>			
Repair and maintenance expenses capitalised for investment properties		–	(136)
Purchases of property, plant and equipment	12	<b>(18,141)</b>	(11,503)
Decrease (increase) in pledged bank deposits		<b>887</b>	(16,995)
Deposits paid for acquisition of property, plant and equipment		<b>(8,917)</b>	(15,688)
Additions of rental deposits of right-of-use assets		–	(3,027)
Purchase of equity securities at FVTPL		–	(23,797)
Proceeds from disposal of equity securities at FVTPL		–	25,078
Proceeds from disposal of property, plant and equipment		<b>348</b>	–
Cash inflow from wealth management products		<b>714</b>	1,162
Dividend income from equity securities at FVTPL		–	62
Net cash flow on disposal of subsidiaries	18	<b>52,046</b>	–
Interest received		<b>548</b>	542
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>		<b>27,485</b>	(44,302)
<b>FINANCING ACTIVITIES</b>			
Drawdown of new bank borrowings		<b>170,035</b>	133,196
Repayment of bank borrowings		<b>(260,398)</b>	(122,565)
Payment on buy-back of ordinary shares		–	(2,910)
Repayment of lease liabilities		<b>(16,076)</b>	(4,975)
Interest paid		<b>(4,113)</b>	(3,711)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(110,552)</b>	(965)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(72,062)</b>	7,463
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>2,650</b>	2,923
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>158,563</b>	176,650
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>89,151</b>	187,036





# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 1. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The unaudited consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2021. 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 2021 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 amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

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.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



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

### **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 Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction <sup>2</sup>
HKFRS 17	Insurance Contracts and the related Amendments <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 annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

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

## 3. REVENUE AND SEGMENTAL INFORMATION

Revenue of the Group represents revenue arising from sale of goods and gross rental income earned from investment properties 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 paperboard and corrugated paper-based packing products;
Offset printed corrugated products	–	manufacture and sale of offset printed corrugated paper-based packaging 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 2021

## 3. REVENUE AND SEGMENTAL INFORMATION (Continued)

### Segment revenues and results

The revenue from sale of corrugated 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 the term of the leases.

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

#### For the six months ended 30 September 2021

	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	519,563	107,624	–	–	627,187
Inter-segment sales	23,780	6,845	–	(30,625)	–
	543,343	114,469	–	(30,625)	627,187
<b>Revenue from other sources</b>					
Gross rental income	–	–	2,864	–	2,864
<b>Total</b>	<b>543,343</b>	<b>114,469</b>	<b>2,864</b>	<b>(30,625)</b>	<b>630,051</b>
<b>Segment results</b>	<b>(32,229)</b>	<b>3,475</b>	<b>8,489</b>		<b>(20,265)</b>
Fair value changes of equity securities at FVTPL					(145)
Income from wealth management products					714
Gain on disposal of subsidiaries					31,378
Finance costs					(14,360)
Other corporate income and expenses					(7,936)
<b>Loss before tax</b>					<b>(10,614)</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



## 3. REVENUE AND SEGMENTAL INFORMATION (Continued)

### Segment revenues and results (Continued)

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>	477,729	105,294	2,812	(42,444)	543,391
<b>Segment results</b>	36,158	17,156	(1,335)		51,979
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>					43,820

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 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 2021. Segment profits or losses represented the profit earned (loss incurred) 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, gain on disposal of subsidiaries, 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 2021</b>				
<b>Segment assets</b>	<b>944,588</b>	<b>107,513</b>	<b>250,447</b>	<b>1,302,548</b>
<b>Segment liabilities</b>	<b>444,407</b>	<b>16,390</b>	<b>1,058</b>	<b>461,855</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 2021</b>				
<b>Segment assets</b>	1,072,242	132,437	244,953	1,449,632
<b>Segment liabilities</b>	454,941	25,732	1,512	482,185

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 2021



## 4. OTHER INCOME

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend income from equity securities at FVTPL	-	62
Government subsidies	3,198	5,292
Evacuation compensation	55,439	-
Bank interest income	548	542
Other rental income	116	194
Exchange gain	1,366	-
Sundry income	1,175	643
	<b>61,842</b>	6,733

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value changes of equity securities at FVTPL	(145)	4,805
Fair value changes of investment properties	5,900	(3,836)
Loss on disposal of equity securities at FVTPL	-	(690)
Income from wealth management products	714	1,162
	<b>6,469</b>	1,441

## 6. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	6,010	-
Labour redundancy costs	61,405	-
Moving costs	944	-
Installation and uninstallation costs	1,044	-
Other evacuation costs	346	-
Others	446	291
	<b>70,195</b>	291



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 7. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on:		
– bank borrowings	4,113	3,704
– bank overdraft	–	7
– lease liabilities	10,247	1,718
	<b>14,360</b>	5,429

## 8. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
– Current tax	482	1,853
The People's Republic of China (the "PRC" or "China") Tax:		
– Current tax on enterprise income tax ("EIT")	(2,351)	7,875
– Withholding tax	368	–
	<b>(1,983)</b>	7,875
	<b>(1,501)</b>	9,728

### Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2020: 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.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



## 8. INCOME TAX (CREDIT) EXPENSE (Continued)

### 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%. During the six months ended 30 September 2020, both subsidiaries, Come Sure Packing Products (Shenzhen) Company Limited (“**CSP**”) and Sky Achiever Paper Industrial (Shenzhen) Company Limited (“**SAP**”) were entitled to preferential rate of 15% as both of them were qualified as HNTE. While, during the six months ended 30 September 2021, only SAP is qualified as HNTE and enjoys a preferential tax concession and the applicable EIT rate are at a reduced rate of 15% from 1 January 2019 to 31 December 2021. 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 2020: 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 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. However, with effective from 1 January 2021, the licenses of Macau offshore institutions (“**MCOs**”) were expired due to the Macao Special Administrative Region’s Offshore Law and its supplementary regulations were revoked. As such, these MCO subsidiaries were no longer enjoy tax exemption.

### The Group

During the years ended 31 March 2016 to 2021, the Inland Revenue Department of Hong Kong (“**IRD**”) issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2014/15 to six subsidiaries of the Group amounting to HK\$21,717,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates amounting to HK\$9,146,000 in aggregate. IRD has held over the payment of profits tax of HK\$12,571,000.

The Directors are of the opinion that, as at 30 September 2021, 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 2021

## 9. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation and amortisation:		
– Depreciation for property, plant and equipment	<b>16,493</b>	10,149
– Depreciation for right-of-use assets	<b>12,806</b>	4,771
– Amortisation of prepaid lease payments	<b>564</b>	547
	<b>29,863</b>	15,467
Cost of goods sold:		
– Cost of inventories recognised as an expense	<b>547,483</b>	419,286
– Direct operating expense of investment properties that generate rental income	<b>47</b>	75
	<b>547,530</b>	419,361
Staff costs:		
– Directors' emoluments	<b>3,861</b>	3,834
– Other staff salaries, bonus and allowances	<b>88,713</b>	69,112
– Retirement benefits scheme contributions (excluding directors)	<b>10,524</b>	944
	<b>103,098</b>	73,890
Lease payments for short-term lease not included in the measurement of lease liabilities	<b>6,518</b>	5,224
Net foreign exchange (gain) loss	<b>(1,366)</b>	3,672
Gain on disposal of subsidiaries	<b>(31,378)</b>	–

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



## 10. (LOSS) EARNINGS PER SHARE

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

	(Loss) earnings for the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company	<b>(8,216)</b>	34,127

	Number of shares as at 30 September	
	2021	2020
	(unaudited)	(unaudited)
Weighted average number of ordinary shares at end of period	<b>343,858,000</b>	347,863,781

For the six months ended 30 September 2021, the calculation of basic and diluted loss per share are the same as all share options of the Company were lapsed during the year ended 31 March 2021.

For the six months ended 30 September 2020, 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.

## 11. DIVIDEND

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend recognised as distribution during the period		
Final dividend for the year ended 31 March 2021 – Nil		
(Final dividend for the year ended 31 March 2020 – Nil)	<b>–</b>	–

The Board does not recommend any interim dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired property, plant and equipment of approximately HK\$18,141,000.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 13. 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:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade receivables:		
Not yet due for settlement (aged within 120 days)	<b>210,381</b>	211,033
Overdue:		
1 to 30 days	<b>35,452</b>	25,145
31 to 90 days	<b>32,471</b>	29,964
91 to 365 days	<b>1,853</b>	9,485
Over 1 year	<b>3,731</b>	10,341
	<b>283,888</b>	285,968
Less: Allowance for expected credit losses	<b>(3,342)</b>	(10,169)
	<b>280,546</b>	275,799
Bills receivables not yet due for settlement (aged within 90 days)	<b>14,354</b>	44,700
	<b>294,900</b>	320,499

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Prepayments	<b>2,473</b>	2,915
Deposits	<b>6,994</b>	7,270
Other receivables	<b>5,296</b>	4,348
VAT receivables	<b>15,565</b>	11,209
Profit guarantee receivable (note)	<b>14,560</b>	14,560
Evacuation compensation receivable	<b>11,048</b>	–
Disposal of subsidiaries receivable (note 18)	<b>22,074</b>	–
	<b>78,010</b>	40,302
Less: Impairment loss recognised	<b>(14,560)</b>	(14,560)
	<b>63,450</b>	25,742

Note:

As at 31 March 2015, the profit guarantee contract for Think Speed Group Limited ("TSGL") has lapsed. As the audited consolidated net profit of TSGL for the two years ended on 31 March 2014 was less than HK\$20,000,000 in aggregate, the TSGL's vendor and the certain guarantors are jointly and severally liable to pay HK\$14,560,000 to the Group. During the year ended 31 March 2016, the profit guarantee receivable was fully impaired due to its recoverability is remote.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



## 15. TRADE AND BILLS PAYABLES

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade payables:		
0 to 30 days	87,605	95,414
31 to 90 days	3,998	4,355
Over 90 days	1,359	1,316
	<b>92,962</b>	101,085
Bills payables (aged within 90 days)	<b>77,159</b>	78,390
	<b>170,121</b>	179,475

## 16. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER

As at 31 March 2021, the amount of approximately HK\$44,783,000 due to a non-controlling interest of a subsidiary, Turbo Best Holdings Limited, is unsecured, non-interest bearing and repayable on demand. Such amount due was disposed to a wholly-owned subsidiary of Nine Dragons Paper (Holdings) Limited upon completion of disposal of Turbo Best Holdings Limited on 31 August 2021 and, hence, nil balance as at 30 September 2021. Please refer to note 18 for further details.

## 17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
<b>As at 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021</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 2020	348,378	3,484
Buy-back of ordinary shares	(4,520)	(45)
<b>As at 31 March 2021, 1 April 2021 and 30 September 2021</b>	<b>343,858</b>	<b>3,439</b>



# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 18. DISPOSAL OF SUBSIDIARIES

On 2 July 2021, the Group entered into a share purchase agreement with a wholly-owned subsidiary of Nine Dragons Paper (Holdings) Limited to dispose the entire equity interest of 60% shareholdings in Turbo Best Holdings Limited and its subsidiaries ("TBH Group") at a consideration of approximately HK\$93,074,000. The disposal was completed on 31 August 2021.

Analysis of assets and liabilities as at the date of disposal is as follow:

	As at 31 August 2021 HK\$'000 (unaudited)
Property, plant and equipment	68,487
Prepaid lease payments	14,296
Trade and bills receivables	435
Prepayment, deposits and other receivables	1,353
Inventories	6,247
Deferred tax assets	35
Pledged bank deposits	18
Bank balances and cash	18,954
Trade and bills payables	(2,519)
Accruals and other payables	(1,165)
Contract liabilities	(2,175)
Amount due to non-controlling shareholder (note 16)	(44,783)
Tax payables	(191)
Net assets disposal of	58,992
Release of translation reserve	(890)
Release of statutory reserve	(58)
Non-controlling interests	3,652
	61,696
Less: Consideration	(93,074)
Gain on disposal	31,378

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 18. DISPOSAL OF SUBSIDIARIES (Continued)

	As at 30 September 2021 HK\$'000 (unaudited)
Consideration received and receivable:	
Cash received	<b>71,000</b>
Undue final instalment (note 14)	<b>22,074</b>
<b>Total Consideration</b>	<b>93,074</b>

  

	As at 30 September 2021 HK\$'000 (unaudited)
Cash received	<b>71,000</b>
Less: Cash and cash equivalent balances disposed of	<b>(18,954)</b>
<b>Net cash outflow arising from the disposal</b>	<b>52,046</b>

## 19. 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 2021 of the Company.

Details of the specific categories of options are as follows:

Grant date	17 May 2010
Lot (note (d))	4
Vesting period (note (a))	17 May 2010 to 12 November 2010
Exercise period	13 November 2010 to 16 May 2020
Exercise price (note (b))	HK\$1.05
Price of the Company's shares at the date of grant (note (c))	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, share consolidation, share subdivision, 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.
- (d) Lot 1, 2 and 3 were lapsed during the year ended 31 March 2020 and Lot 4 were lapsed on 16 May 2020.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

## 19. SHARE-BASED PAYMENTS (Continued)

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

All share options were lapsed during the year ended 31 March 2021 and no share-based payment expense in relation to share options granted by the Company was recognised for the six months ended 30 September 2021 and 2020.

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 2020	900,000	1.05	3,000,000	1.05	3,900,000	1.05
Share option lapsed	(900,000)	1.05	(3,000,000)	1.05	(3,900,000)	1.05
Outstanding as at 31 March 2021, 1 April 2021 and 30 September 2021	-	-	-	-	-	-

No share options have been granted or exercised during the six months ended 30 September 2021 and the year ended 31 March 2021.

During the year ended 31 March 2021, the remaining share options under Lot 4 totalling 3,900,000 share options were lapsed. No share options remained outstanding under the Scheme as at 30 September 2021 and 31 March 2021.

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

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

Grant date	17 May 2010
Lot	4
Option value	HK\$0.3207
Total fair value	HK\$6,285,000
Share price at date of grant	HK\$1.05
Exercise price	HK\$1.05
Expected volatility	52.08%
Risk-free interest rate	1.75%
Dividend yield	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.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021



## 20. CAPITAL COMMITMENTS

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Capital expenditure contracted but not provided for:		
– Purchase of property, plant and equipment	<b>24,068</b>	10,239

## 21. CONTINGENT LIABILITIES

The IRD issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2014/15 to six subsidiaries of the Group amounting to HK\$21,717,000. 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 2014/15 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 as at 30 September 2021 in this regard (as at 31 March 2021: Nil). Please also refer to note 8 for details.

## 22. 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).

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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

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

The 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 based on the degree to which the fair value is observable according to the Group's accounting policy.

	30 September 2021 (unaudited) Level 1 HK\$'000
<b>Financial assets at FVTPL</b>	
Equity security at FVTPL	<b>1,771</b>
	31 March 2021 (audited) Level 1 HK\$'000
<b>Financial assets at FVTPL</b>	
Equity security at FVTPL	1,916

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.

## 23. 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Rental in respect of land and buildings paid to related companies owned by Mr. CHONG Kam Chau, the Director of the Company	<b>205</b>	276

## 24. APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements were approved and authorised for issue by the Board on 30 November 2021.