



COME SURE

Group (Holdings) Limited

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

INTERIM REPORT 2023





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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 4201-03 & 12
42/F, One Island East
Taikoo Place, 18 Westlands Road
Quarry Bay
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

Confucius International CPA Limited
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council Ordinance
Rooms 1501-8, 15/F
Tai Yau Building
181 Johnston Road
Wan Chai
Hong Kong
(*Appointed with effect from 13 November 2023*)

HLM CPA Limited
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council Ordinance
Rooms 1501-8, 15/F
Tai Yau Building
181 Johnston Road
Wan Chai
Hong Kong
(*Resigned with effect from 13 November 2023*)

VALUERS

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Room 1101-4, 11/F Harcourt House
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Wanchai
Hong Kong

REGISTERED OFFICE

Windward 3
Regatta Office Park
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Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE ADDRESS

www.comesure.com

COMPANY SECRETARY

Ms. BOK Yuk Wan

AUTHORISED REPRESENTATIVES

Mr. CHONG Wa Pan
Mr. CHONG Wa Ching

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

Mr. CHONG Wa Ching

MEMBERS OF AUDIT COMMITTEE

Mr. LAW Tze Lun (*Chairman*)

Mr. CHAU On Ta Yuen

Ms. TSUI Pui Man

MEMBERS OF REMUNERATION COMMITTEE

Ms. TSUI Pui Man (*Chairman*)

Mr. CHAU On Ta Yuen

Mr. LAW Tze Lun

Mr. CHONG Wa Pan

MEMBERS OF NOMINATION COMMITTEE

Ms. TSUI Pui Man (*Chairman*)

Mr. CHAU On Ta Yuen

Mr. LAW Tze Lun

Mr. CHONG Wa Pan

PRINCIPAL BANKERS

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

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

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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
17/F,
Far East Finance Centre,
16 Harcourt Road,
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INVESTOR RELATION

DirectiR Limited
16/F, Shing Lee Commercial Bldg
8 Wing Kut Street
Central
Hong Kong

STOCK CODE

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MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the six months ended 30 September 2023 (the “**Period**”), the paper-packaging industry in the People’s Republic of China (the “**PRC**” or “**China**”) continued to experience adverse economic impacts due to a combination of factors such as reduced demand, supply disruptions, weakened market expectations, as well as the increase in costs of raw materials and energy, along with the post-novel coronavirus (“**COVID-19**”) pandemic challenges posed on the still-recovering domestic market. These pressures led to a notable increase in costs faced by paper-packaging manufacturers. Meanwhile, the industry faced a challenging business environment impacted by various global factors, such as US destocking and banking crisis, the war in Europe, and geopolitical uncertainties. These resulted in customers adopting a more cautious strategies in their business activities and weakened global demand for trading activities which adversely impacted the export performance of the manufacturers in China. On top of that, PRC paper-packaging manufacturers face pressures from their customers to maintain the sales price of the paper-packaging products at a relatively low level despite the rise in costs. As a result, the total profit of the paper-making and paper products industry for the period from January to June 2023 amounted to RMB12.04 billion according to the National Bureau of Statistics of China (the “**NBSC**”), resulting in a decrease by 44.6% as compared to the corresponding period in 2022.

Despite facing such unfavourable business environment, the volume of courier services in China had reached new highs during the Period. The monthly volume of courier services in China exceeded 10 billion items since March 2023; in particular, the volume recorded for the second and third quarters of 2023 had maintained a double-digit growth rate compared to the same period of last year. The growing courier services industry, with the emerging global trend in environmental sustainability, is expected to support the demand growth of quality paper-based packaging products in long run. It is expected that industry leaders of paper-packaging manufacturers, particularly those with advanced production techniques and technologies to keep up with the industry standards, will be capable of capturing opportunities amid the growing needs for courier services and related paper-packaging products such that they can continue to maintain sustainable business development.

BUSINESS REVIEW

During the Period, due to the aforementioned unfavourable market situations, the Group found itself facing various challenges as a paper-packaging manufacturer, including the pressure from the customers to keep the prices low while the operation cost continued to rise due to various cost factors such as inflation and rising energy costs, as well as the decrease in demand in the Group’s structural-designed paper-based packaging goods due to the shift in some customers’ supply chain from the PRC to other regions of Southeast Asia gradually for lower production costs and further risk diversification under such unfavourable and undesirable market situation.

BUSINESS REVIEW *(Continued)*

Faced with the challenges from the export markets, the Group strived to expand its presence in the domestic market by diversifying its customer base and product mix. Leveraging its strong reputation in the PRC's paper packaging industry and its ability to further diversify its product mix by increasing the portion of paperboard and semi-finished goods, the Group managed to receive more sales orders from the domestic market during the Period and expanded its sales of paper packaging products to the medical equipment sector. With the drop in the average unit selling price of the Group's products due to the Group's paperboards and semi-finished goods generally have lower unit selling price but lower cost of sales and shorter trade receivables turnover cycle when compared to the Group's printed corrugated paper-based packaging products; in addition, due to the pressure faced by the Group as a paper-packaging manufacturer to keep the selling prices low and the depreciation of Renminbi ("**RMB**") against HKD, the Group's revenue for the Period decreased by approximately 19.1% to approximately HK\$385.9 million despite the Group was able to maintain its sales volume during the Period.

In line with the fluctuation in the Group's revenue, the Group's gross profit for the Period decreased by approximately 16.5% to approximately HK\$67.2 million (for the corresponding period in 2022: approximately HK\$80.5 million). Despite the decrease in the Group's gross profit attributable to the increased portion of paperboard and semi-finished goods sold by the Group, these paperboards and semi-finished goods generally required lower costs of goods sold and had a shorter trade receivables turnover cycle which improved the Group's operation efficiency. As such, the gross profit margin of the Group was approximately 17.4% for the Period (for the corresponding period in 2022: approximately 16.9%).

With the Group closely monitor the market changes and implement consistent internal cost control measures during the Period to ensure effective resources allocation and financial health for sustainable business development, the Group still managed to maintain its gross profit margin level despite facing the various challenges faced by the paper-packaging manufacturers in the PRC. The Group has also started planning for production integration in order to enhance its production capacities and efficiency to cope with the demand as well as to expand across the regional markets. The Group believes that the effective internal control and risk management system will benefit to the Group's long-term development.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT OF OPERATION

	For the six months ended 30 September			
	2023		2022	
	HK\$'000	(%)	HK\$'000	(%)
<i>Sales of goods</i>				
PRC domestic sales	335,198	87.6	400,070	84.4
Domestic delivery export sales	28,698	7.5	50,375	10.6
Direct export sales	18,925	4.9	23,486	5.0
	382,821	100.0	473,931	100.0
<i>Properties leasing</i>				
Rental income	3,078		3,017	
Total Revenue	385,899		476,948	
Gross profit margin		17.4		16.9
Net loss margin		(2.5)		(1.8)

REVENUE

Due to the global and domestic economic challenges, customers have become more cautious with the view to minimise the operational risks involved amid such time of uncertainties, which led to their ordering frequency having slowed down during the Period. The Group, leveraging on its reputation of being able to provide high-quality corrugated paperboard products and solutions, continued its efforts in expanding its domestic market and diversifying its customer base that resulted in increase in sales orders from domestic customers in the PRC, especially from the medical equipment sector, during the Period. Furthermore, in order to attract more sales, the Group allocated more resources on its sales of paperboard and semi-finished products, with lower unit price as compared to the Group's printed corrugated paper-based packaging products, and successfully secured sustainable sales during the Period. As such, due to the drop in the average unit price of the Group's products and the depreciation of RMB against HKD throughout the Period, the Group's revenue for the Period was approximately HK\$385.9 million (for the corresponding period in 2022: approximately HK\$476.9 million). Despite the decrease in revenue of the Group during the Period, riding on the increase in market demand in courier services and related packaging products and the change in the Group's strategy and product mix to cater for the continued business expansion and integration, the Group believes that such strategic moves and opportunities provide for a strong foundation for the Group to sustain its long-term business development and growth.

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 Group's strategic move in expanding the domestic sales and allocated more resources to paperboard and semi-finished products production to meet the market needs, the sales volume from Guangdong operation remained stable despite the challenging business environment which led to, among others, a decrease in demand of corrugated paperboard and structural designed paper-based packaging products and weakened global demand for paper-packaging products to be exported from the PRC. Coupled with the lower unit price of paperboards and semi-finished products and the depreciation of RMB during the Period, the Group's revenue from the Guangdong operation during the Period was decreased by 19.2% to approximately HK\$382.8 million, as compared to approximately HK\$473.9 million for the corresponding period in 2022.

REVENUE *(Continued)*

Properties investment

The revenue generated from the properties investment business for the Period was approximately HK\$3.1 million, remained stable from the corresponding period in 2022 of approximately HK\$3.0 million.

GROSS PROFIT

The Group has dedicated significant efforts towards improving internal management and operational efficiency, aiming to achieve sustained enhancements in financial performance. Attributed to the Group's longstanding relationships with its major suppliers, sufficient supply of quality raw materials was maintained with reasonable cost during the Period. Through flexible sourcing channels, the Group managed to ensure its cost efficiency and inventory management are effective and in place. The Group's gross profit margin for the Period was impacted by the increased portion of sales of paperboards and semi-finished goods, which corresponding unit price and cost of sales are lower than the other paper-based packaging products of the Group. In line with the decrease in the Group's revenue of the Period, the Group's overall gross profit for the Period was approximately HK\$67.2 million (approximately HK\$80.5 million for the corresponding period of 2022). Yet, attributed to the Group's stringent cost control as well as the improved gross profit from its properties leasing business which counter-influenced the drop in its gross profit margin impacted by the change of products mix, the Group's overall gross profit margin for the Period was approximately 17.4% (approximately 16.9% for the corresponding period of 2022), which the Group still consider have been maintained at a healthy level to cover the cost of sales.

Guangdong operation

While the high quality corrugated paperboard and value-added structural-designed paper-based packaging products continued to be the focus of the Group's business and contributed the most to the Group's gross profit during the Period, to respond to the market change, the Group further increased the portion of paperboard and semi-finished packaging products in its product mix, as well as the portion of domestic sales, during the Period. Despite the decrease in the Group's gross profit during the Period due to aforementioned factors, the gross profit margin of the Group's Guangdong operation for the Period was increased to approximately 16.8% as compared to 16.5% for the corresponding period in 2022. The gross profit generated from the Guangdong operation for the Period decreased by approximately 17.8% to approximately HK\$64.2 million (for the corresponding period in 2022: approximately HK\$78.1 million), in line with the decrease in the Group's revenue generated from the Guangdong operation during the Period.

Properties leasing

The cost of properties leasing represented the direct outgoings of the investment properties. The gross profit of properties leasing increased slightly to approximately HK\$3.0 million for the Period (for the corresponding period in 2022: approximately HK\$2.4 million).

OTHER INCOME

The Group's other income for the Period was approximately HK\$3.1 million (for the corresponding period in 2022: approximately HK\$17.5 million), mainly generated from the exchange gain and government subsidies. Such decrease was mainly attributable to the decrease in exchange gain by approximately HK\$13.4 million for the Period.

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\$2.3 million, as compared to other losses of approximately HK\$1.8 million for the corresponding period in 2022, mainly represented the fair value gain on investment properties of approximately HK\$2.1 million during the Period, whereas the fair value loss of investment properties for the corresponding period in 2022 was approximately HK\$1.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND ADMINISTRATIVE EXPENSES

The Group continued to increase the portion of paperboard and semi-finished packaging products in its product mix during the Period, which the relative commission rate per sale was lower than the Group's other structural-designed paper-based packaging products. The selling expenses of the Group for the Period dropped to approximately HK\$27.7 million (for the corresponding period in 2022: approximately HK\$41.8 million). Having imposed stringent internal control and risk management, the Group's administrative expenses for the Period decreased by 13.7% to approximately HK\$40.4 million, as compared to approximately HK\$46.8 million for the corresponding period in 2022.

FINANCE COSTS

The finance costs represented interest expenses on bank borrowings and lease liabilities. As the interest rate soared, the Group's interest on bank borrowings for the Period increased to approximately HK\$4.6 million (for the corresponding period in 2022: approximately HK\$4.1 million). On the other hand, pursuant to HKFRS 16 Leases, the Group's interest expenses on lease liabilities for the Period decreased to approximately HK\$8.7 million for the Period (for the corresponding period in 2022: approximately HK\$9.5 million).

NET LOSS AND DIVIDEND

The Group recorded net loss of approximately HK\$9.5 million for the Period (for the corresponding period in 2022: net loss of approximately HK\$8.4 million), mainly arising from decrease in revenue and gross profit during the Group's business integration with changes in products mix for long term growth and development to cope with the uncertain business environment. Correspondingly, the Group recorded a net loss margin of approximately 2.5% for the Period, whereas the net loss margin for the corresponding period in 2022 was approximately 1.8%. The basic and diluted loss per share for the Period was HK2.87 cents (for the corresponding period in 2022: HK2.44 cents). The Board does not propose payment of interim dividend for the Period.

CAPITAL STRUCTURE

The Group had adopted a prudent treasury policy and maintained a stable current ratio (calculated as current assets divided by current liabilities). The Group's current ratio for the Period was approximately 1.17 as at 30 September 2023 (as at 31 March 2023: approximately 1.24). The Company's issued share capital as at 30 September 2023 was HK\$3,310,840 divided into 331,084,000 shares of HK\$0.01 each.

WORKING CAPITAL

	30 September 2023 Turnover Days	31 March 2023 Turnover Days
Trade and bills receivables	119	121
Trade and bills payables	67	61
Inventories	32	43
Cash conversion cycle*	84	103

* $\text{Trade and bills receivable turnover days} + \text{Inventories turnover days} - \text{Trade and bills payables turnover days}$

In view of the global economic uncertainties during the Period, the Group had been closely monitoring its customers credit and collection history, as well as to avoid customers with low creditability. Also, the increased portion of paperboard and semi-finished products in the Group's sales mix during the Period improved the Group's turnover pattern with a shorter credit period for the sales of the mentioned products. The Group's trade and bill receivables turnover days for the Period hence decreased slightly to 119 days as compared to 121 days for the year ended 31 March 2023. In line with the sales order volume received by the Group during the summer of the Period, the Group's trade and bills receivables as at 30 September 2023 was increased to approximately HK\$277.1 million (as at 31 March 2023: approximately HK\$222.8 million).

WORKING CAPITAL *(Continued)*

Attributed to the close collaboration relationship with its suppliers, the Group's trade and bills payables turnover days for the Period maintained stable at 67 days (for the year ended 31 March 2023: 61 days).

The Group had stringent control on its inventory level by controlling the amount of procurement, as such, the Group's trade and bills payables was also controlled in line with the sales orders received. The Group's trade and bills payables for the Period was approximately HK\$135.8 million (as at 31 March 2023: approximately HK\$98.7 million).

The Group's inventories decreased to approximately HK\$54.4 million as at 30 September 2023 (as at 31 March 2023: approximately HK\$57.3 million) to match with the sales orders needs, due to the change in its product mix, the Group's inventory efficiency was improved with inventories turnover days of 32 days for the Period (for the year ended 31 March 2023: 43 days).

Despite of the unfavorable market conditions, the Group's cash conversion cycle for the Period improved to 84 days (for the year ended 31 March 2023: 103 days), with the Group's strategic move in allocating more resources for producing paperboard and semi-finished packaging products during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

	30 September 2023	31 March 2023
Current ratio	1.17	1.24
Gearing ratio	15.4%	15.3%

During the Period, the principal sources of working capital of the Group remained to be the cash flow from operating activities and bank borrowings. As at 30 September 2023, the Group's bank and cash balances was approximately HK\$60.1 million (as at 31 March 2023: approximately HK\$86.0 million), including pledged deposit of approximately HK\$13.6 million (as at 31 March 2023: approximately HK\$10.1 million). Additionally, the Group had unused banking facilities of approximately HK\$607.6 million as at 30 September 2023 (as at 31 March 2023: approximately HK\$733.2 million) for securing future cashflow.

Attributed to the Group's effort in improving its operation efficiency with lowering the cash conversion cycle, the current assets and the current liabilities of the Group as at 30 September 2023 increased to approximately HK\$423.5 million and approximately HK\$360.6 million respectively (as at 31 March 2023: approximately HK\$394.7 and approximately HK\$319.4 million respectively). The Group's current ratio (current assets divided by current liabilities) as at 30 September 2023 maintained at a healthy level of approximately 1.17 (as at 31 March 2023: 1.24).

As at 30 September 2023, all the bank borrowings of the Group were secured, mostly denominated in HKD and RMB and carried floating interest rates. The total outstanding bank borrowings as at 30 September 2023 were approximately HK\$163.7 million (as at 31 March 2023: approximately HK\$163.8 million), of which approximately HK\$128.5 million was repayable within one year and approximately HK\$35.2 million was repayable after one year.

Having maintained sufficient cash level and banking facilities, the Group is enable to enjoy the flexibility in managing its capital for existing operations, as well as financing potential investment opportunities in future. As at 30 September 2023, the Group's gearing ratio (total borrowings divided by total assets) was approximately 15.4% (as at 31 March 2023: approximately 15.3%) which maintained at a sound liquidity position.

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 monitor the foreign currency exposure closely and will consider taking appropriate initiatives to hedge significant foreign currency exposure if necessary.

CHARGE OF ASSETS

The Group pledged certain assets such as bank deposits, buildings and investment properties as at 30 September 2023, with aggregate net book value of approximately HK\$264.1 million (as at 31 March 2023: approximately HK\$258.4 million), to secure banking facilities granted to the Group.

CAPITAL COMMITMENT

As at 30 September 2023, the Group's capital expenditure regarding property, plant and equipment, which were contracted but not provided, was approximately HK\$1.0 million (as at 31 March 2023: approximately HK\$1.7 million).

As at 30 September 2023, the Group did not have any capital expenditure that is authorised but not contracted for (as at 31 March 2023: Nil).

CONTINGENT LIABILITIES

During the years ended from 31 March 2016 to 2023, IRD issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2016/17 to six subsidiaries of the Group amounting to HK\$25,953,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates amounting to HK\$9,766,000 in aggregate and upon IRD's request, paid additional tax of HK\$620,000 for the year of assessment 2016/17. IRD has held over the payment of profits tax of HK\$15,567,000.

The Company is in the process of negotiation with IRD in relation to the tax assessments of the subsidiaries and the Directors are of the opinion that there has been no best estimation of the outcome as at the end of the Year, taking into account the uncertainties of the outcome of the negotiation which has not been concluded as at the date of this interim report. Thus, no tax provision has been made for the Period (as at 31 March 2023: Nil). The Directors will closely monitor the progress and will make provision in a timely manner where necessary and as appropriate.

EMPLOYEES AND REMUNERATION

The Group had 873 employees in total as at 30 September 2023 (as at 31 March 2023: 933). The Group's total expenses on the remuneration of employees including emolument of the company's Directors for the Period were approximately HK\$60.2 million (for the corresponding period in 2022: approximately HK\$79.6 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 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.

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

PROSPECT

Despite aforementioned global risks such as inflation and geopolitical tensions, opportunities are expected to arise from the potential growth of green paper-packaging in line with the growth of courier services industry. As such, the Group plans to allocate more resources to capitalize on these opportunities and support its long-term expansion in the PRC and other regions of Southeast Asia.

In response to market fluctuations and rising raw material costs, the Group always strives its best to maintain its long-standing relationships with existing suppliers such that it can continue to implement its diversified sourcing strategy for both domestic and imported raw materials, to lower the risk of overreliance on a particular supplier or supplier from a particular region so as to ensure a consistent supply of materials while upholding quality standards. To cope with the changing customers' needs, the Group has also been adapting to new product strategies including allocating its resources towards the production of semi-finished packaging products and paperboards, which increased the Group's sales orders in the domestic market during the Period and typically have shorter cash conversion cycles.

The Group will continue to enhance the cost and production efficiency through resources and production integration. Benefiting from ample production capacity at the Group's Dongguan factories, the Group is well-positioned to identify sustainable business opportunities to accommodate the potential demand from the market of surrounding regions, consolidating its leading position in the PRC's corrugated packaging industry. All these have placed the Group at an advantageous position to resume growth, in particular when market conditions improve.

Adopting a more cautious approach amid the economic uncertainties, the Group currently has no plan for committing to any material investment. In order to achieve sustainable profitability and maximise the returns for the Shareholders in long term, the Group will continue to timely review the adequacy and effectiveness of its own internal cost and risk management, as well as investment strategies, according to the market conditions.

OTHER INFORMATION

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

As at 30 September 2023, the interests and short positions in the shares (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), held by the Directors and chief executives of the Company which have been 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 (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (the "Listing Rules") 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	70.37%
Mr. CHONG Wa Pan (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	70.37%
Mr. CHONG Wa Ching (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	70.37%
Mr. CHONG Wa Lam (Notes 1 & 3)	Beneficiary of a discretionary trust	233,000,000	70.37%

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:

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 2023.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2023, 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	70.37%
Jade City Assets Limited (Notes 1 & 2)	Interest of controlled corporation	233,000,000	70.37%
HSBC International Trustee Limited (Notes 1 & 2)	Trustee	233,000,000	70.37%
Ms. CHAN Po Ting (Notes 1 & 3)	Family interests; Beneficiary of a discretionary trust	233,000,000	70.37%
Ms. HUNG Woon Cheuk (Note 4)	Family interests	233,000,000	70.37%
Ms. YUEN Chung Yan (Note 5)	Family interests	233,000,000	70.37%
Mr. CHONG Kam Shing (Note 1)	Beneficiary of a discretionary trust	233,000,000	70.37%

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 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.

CHANGES IN INFORMATION OF DIRECTORS

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

HLM CPA Limited (“**HLM**”) tendered their resignation as the auditor of the Company with effect from 13 November 2023 (the “**Resignation**”). The Board, with the recommendation from the Audit Committee, resolved to appoint Confucius International CPA Limited as the new auditor of the Company with effect from 13 November 2023 to fill the casual vacancy following the Resignation of HLM and to hold office until the conclusion of the next annual general meeting of the Company. For details, please refer to the Company’s announcement dated 13 November 2023.

Save as disclosed above, 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 2023.

On behalf of the Board
CHONG Kam Chau
Chairman

Hong Kong, 30 November 2023

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

For the six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	385,899	476,948
Cost of sales		(318,678)	(396,461)
Gross profit		67,221	80,487
Other income	4	3,146	17,473
Other gains and losses	5	2,257	(1,765)
Selling expenses		(27,715)	(41,788)
Administrative expenses		(40,425)	(46,794)
Reversal of impairment of trade receivables		-	134
Other operating expenses	6	-	(119)
Finance costs	7	(13,358)	(13,560)
Loss before tax		(8,874)	(5,932)
Income tax expense	8	(645)	(2,456)
Loss for the period	9	(9,519)	(8,388)
Other comprehensive expense:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(17,593)	(42,704)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss of financial assets at fair value through other comprehensive income		(300)	-
Other comprehensive expense for the period, net of income tax		(17,893)	(42,704)
Total comprehensive expense for the period		(27,412)	(51,092)
Loss for the period attributable to:			
Owners of the Company		(9,515)	(8,388)
Non-controlling interests		(4)	-
		(9,519)	(8,388)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(27,406)	(51,092)
Non-controlling interests		(6)	-
		(27,412)	(51,092)
Loss per share			
Basic and diluted	10	(2.87) cents	(2.44) cents
Dividend	11	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2023

	Notes	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Non-current assets			
Prepaid lease payments		26,370	28,035
Right-of-use assets		178,491	196,187
Property, plant and equipment	12	168,505	182,339
Investment properties		250,850	248,680
Goodwill		11,631	11,631
Financial assets at fair value through other comprehensive income ("FVTOCI")		–	–
Deposits paid for acquisition of property, plant and equipment		1,173	3,169
Rental deposits		3,669	3,729
Club membership		366	366
		641,055	674,136
Current assets			
Inventories		54,375	57,338
Trade and bills receivables	13	277,083	222,836
Prepayments, deposits and other receivables	14	19,630	15,406
Tax recoverable and tax reserve certificate purchased		9,784	10,663
Financial assets at fair value through profit or loss ("FVTPL")		2,533	2,533
Pledged bank deposits		13,589	10,054
Bank and cash balances		46,529	75,896
		423,523	394,726
Current liabilities			
Trade and bills payables	15	135,848	98,673
Accruals and other payables		32,788	31,873
Contract liabilities		1,041	1,644
Lease liabilities		12,067	9,881
Short-term bank borrowings		110,021	100,009
Tax payables		20,142	20,463
Long-term bank borrowings		48,730	56,808
		360,637	319,351
Net current assets		62,886	75,375
Total assets less current liabilities		703,941	749,511
Non-current liabilities			
Long-term bank borrowings		4,900	7,000
Lease liabilities		189,990	206,584
		194,890	213,584
NET ASSETS		509,051	535,927
Capital and reserves			
Share capital	16	3,311	3,311
Reserves		505,210	532,616
Equity attributable to owners of the Company		508,521	535,927
Non-controlling interests		530	–
TOTAL EQUITY		509,051	535,927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2023

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium reserve HK\$'000	Special reserve HK\$'000	Investment revaluation 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	Non-controlling interests		Total equity HK\$'000
										Total		
										HK\$'000	HK\$'000	
At 1 April 2022 (audited)	3,439	180,476	105,309	-	59,633	44,449	(20)	15,840	229,329	638,455	-	638,455
Total comprehensive income for the period	-	-	-	-	(42,704)	-	-	-	(8,388)	(51,092)	-	(51,092)
Buy-back of ordinary shares	-	-	-	-	-	-	(4,923)	-	-	(4,923)	-	(4,923)
Change in equity for the period	-	-	-	-	(42,704)	-	(4,923)	-	(8,388)	(56,015)	-	(56,015)
At 30 September 2022 (unaudited)	3,439	180,476	105,309	-	16,929	44,449	(4,943)	15,840	220,941	582,440	-	582,440
At 1 April 2023 (audited)	3,311	175,562	105,309	(540)	29,923	44,449	(20)	15,840	162,093	535,927	-	535,927
Total comprehensive income for the period	-	-	-	(300)	(17,591)	-	-	-	(9,515)	(27,406)	(6)	(27,412)
Incorporation of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	536	536
Change in equity for the period	-	-	-	(300)	(17,591)	-	-	-	(9,515)	(27,406)	530	26,576
At 30 September 2023 (unaudited)	3,311	175,562	105,309	(840)	12,332	44,449	(20)	15,840	152,578	508,521	530	509,051

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2023

		Six months ended 30 September	
	Note	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,635	4,082
INVESTING ACTIVITIES			
Repair and maintenance expenses capitalised for investment properties		(49)	(290)
Purchases of property, plant and equipment	12	(2,414)	(4,678)
Increase in pledged bank deposits		(3,654)	(619)
Deposits paid for acquisition of property, plant and equipment		(268)	(52)
Purchase of financial assets at FVTPL		–	(1,069)
Purchase of financial assets at FVTOCI		(300)	–
Proceeds from disposal of wealth management products		–	2,161
Proceeds from disposal of property, plant and equipment		–	11
Cash inflow from wealth management products		136	370
Dividend income from equity securities at FVTPL		80	80
Interest received		117	115
NET CASH USED IN INVESTING ACTIVITIES		(6,352)	(3,971)
FINANCING ACTIVITIES			
Drawdown of new bank borrowings		58,881	94,414
Repayment of bank borrowings		(58,451)	(110,301)
Payment on buy-back of ordinary shares		–	(4,923)
Repayment of lease liabilities		(13,199)	(14,007)
Government subsidies		404	1,339
Interest paid		(4,649)	(4,057)
Capital injection from a non-controlling interest on incorporation of a non-wholly owned subsidiary		536	–
NET CASH USED IN FINANCING ACTIVITIES		(16,478)	(37,535)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,195)	(37,424)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(9,172)	(3,108)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		75,896	109,613
CASH AND CASH EQUIVALENTS AT END OF PERIOD		46,529	69,081

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023. 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 2023 except as stated in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, financial assets at FVTPL and financial assets at FVTOCI which were measured at fair value of each of the end of reporting period.

2. APPLICATION 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 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:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the above amendments to HKFRSs in the current period had no material impact on the Group’s financial positions and performance for the current and prior period 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 2023

2. APPLICATION 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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective date to be determined

The directors of the Group anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 2023

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 2023

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Properties leasing HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue from contracts with customers within the scope of HKFRS 15					
External sales	278,701	104,120	–	–	382,821
Inter-segment sales	25,837	1,471	–	(27,308)	–
	304,538	105,591	–	(27,308)	382,821
Revenue from other sources					
Gross rental income	–	–	3,078	–	3,078
Total	304,538	105,591	3,078	(27,308)	385,899
Segment results	1,123	1,056	4,921		7,100
Dividend income from equity securities at FVTPL					80
Income from wealth management products					136
Finance costs					(4,649)
Other corporate income and expenses					(11,541)
Loss before tax					(8,874)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 September 2022

	Corrugated products HK\$'000 (unaudited)	Offset printed corrugated products HK\$'000 (unaudited)	Properties leasing HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue from contracts with customers within the scope of HKFRS 15					
External sales	352,598	121,333	–	–	473,931
Inter-segment sales	40,163	2,025	–	(42,188)	–
	392,761	123,358	–	(42,188)	473,931
Revenue from other sources					
Gross rental income	–	–	3,017	–	3,017
Total	392,761	123,358	3,017	(42,188)	476,948
Segment results	6,684	1,029	361		8,074
Dividend income from equity securities at FVTPL					80
Fair value changes of equity securities at FVTPL					(345)
Income from wealth management products					370
Finance costs					(4,057)
Other corporate income and expenses					(10,054)
Loss before tax					(5,932)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023. 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, 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)
As at 30 September 2023				
Segment assets	576,878	205,318	251,556	1,033,752
Segment liabilities	264,505	102,298	4,127	370,930
	Corrugated products HK\$'000 (audited)	Offset printed corrugated products HK\$'000 (audited)	Properties leasing HK\$'000 (audited)	Total HK\$'000 (audited)
As at 31 March 2023				
Segment assets	591,538	195,397	249,460	1,036,395
Segment liabilities	240,765	89,999	6,103	336,867

All assets are allocated to operating segments other than leasehold land in Hong Kong for corporate use, club membership, financial assets at FVTPL, bank balances managed on central basis, tax recoverable and tax reserve certificate purchased and other corporate assets.

All liabilities are allocated to operating segments other than tax payables, bank borrowings and other corporate liabilities.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

4. OTHER INCOME

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividend income from equity securities at FVTPL	80	80
Government subsidies	404	1,339
Penalty income	6	–
Bank interest income	117	115
Other rental income	214	84
Exchange gain	2,127	15,557
Sundry income	198	298
	3,146	17,473

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value changes of equity securities at FVTPL	–	(345)
Fair value changes of investment properties	2,121	(1,790)
Income from wealth management products	136	370
	2,257	(1,765)

6. OTHER OPERATING EXPENSES

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	–	44
Others	–	75
	–	119

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

7. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
– bank borrowings	4,649	4,057
– lease liabilities	8,709	9,503
	13,358	13,560

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
– Current tax	441	500
The People's Republic of China (the "PRC" or "China") Enterprise Income Tax ("EIT"):		
– Current tax	204	1,956
	645	2,456

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2022: 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 2023

8. INCOME TAX 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 2022, a subsidiary, Sky Achiever Paper Industrial (Shenzhen) Company Limited (“**SAP**”) is qualified as HNTE and enjoys a preferential tax concession and the applicable EIT rate is at a reduced rate of 15% from 9 December 2019 to 8 December 2022. 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.

Certain subsidiaries of the Group incorporated in the PRC are entitled to claim 200% of their research and development cost for income tax reduction.

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 2022: 5%) upon distribution of such profits to investors in Hong Kong.

The Group

During the years ended 31 March 2016 to 2023, the Inland Revenue Department of Hong Kong (“**IRD**”) issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2016/17 to six subsidiaries of the Group amounting to HK\$25,953,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates amounting to HK\$9,766,000 in aggregate and upon IRD’s request, paid additional tax of HK\$620,000 for the year of assessment 2016/17. IRD has held over the payment of profits tax of HK\$15,567,000.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

9. LOSS FOR THE PERIOD

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation and amortisation:		
– Depreciation for property, plant and equipment	10,218	10,609
– Depreciation for right-of-use assets	8,750	9,200
– Amortisation of prepaid lease payments	379	399
	19,347	20,208
Cost of sales:		
– Cost of inventories recognised as an expense	318,592	395,814
– Direct operating expense of investment properties that generated rental income	86	647
	318,678	396,461
Staff costs:		
– Directors' emoluments	3,987	3,378
– Other staff salaries, bonus and allowances	50,540	70,175
– Retirement benefits scheme contributions (excluding directors)	5,636	6,085
	60,163	79,638
Lease payments for short-term lease not included in the measurement of lease liabilities	1,267	1,334
Net foreign exchange gain	(2,127)	(15,557)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

10. LOSS PER SHARE

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

	Loss for the six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	(9,515)	(8,388)

	Number of shares as at 30 September	
	2023 (unaudited)	2022 (unaudited)
Weighted average number of ordinary shares at end of period	331,084,000	343,858,000

For the six months ended 30 September 2023 and 2022, there is no dilution effect in the calculation of loss per share.

11. DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 September 2023 (for the six months ended 30 September 2022: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired property, plant and equipment of approximately HK\$2,414,000.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 Group does not hold any collateral or other credit enhancements over its trade receivable balances. The aging analysis of trade and bills receivables, based on the due date for settlement, is as follows:

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade receivables:		
Not yet due for settlement (aged within 120 days)	176,373	162,713
Overdue:		
1 to 30 days	29,871	7,235
31 to 90 days	27,759	7,363
91 to 365 days	858	294
Over 1 year	3,455	3,600
	238,316	181,205
Less: Allowance for expected credit losses	(3,055)	(3,191)
	235,261	178,014
Bills receivables not yet due for settlement (aged within 90 days)	41,822	44,822
	277,083	222,836

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Prepayments	2,178	1,603
Deposits	1,614	2,190
Other receivables	4,498	2,263
VAT receivables	11,340	9,350
	19,630	15,406

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade payables:		
0 to 30 days	69,728	58,042
31 to 90 days	8,895	2,003
Over 90 days	7,387	353
	86,010	60,398
Bills payables (aged within 90 days)	49,838	38,275
	135,848	98,673

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2022, 31 March 2023, 1 April 2023 and 30 September 2023	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 April 2022	343,858	3,429
Buy-back of shares	(12,774)	(128)
As at 31 March 2023, 1 April 2023 and 30 September 2023	331,084	3,311

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

17. CAPITAL COMMITMENTS

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Capital expenditure contracted but not provided for:		
– Purchase of property, plant and equipment	1,012	1,727

18. CONTINGENT LIABILITIES

During the years ended from 31 March 2016 to 2023, the Inland Revenue Department of Hong Kong ("IRD") issued estimated assessment and additional assessment for the years of assessment 2009/10 to 2016/17 to six subsidiaries of the Group amounting to HK\$25,953,000. The Group had made objections to IRD on these assessments and purchased tax reserve certificates amounting to HK\$9,766,000 in aggregate and upon IRD's request, paid additional tax of HK\$620,000 for the year of assessment 2016/17. IRD has held over the payment of profits tax of HK\$15,567,000.

The Company is in the process of negotiation with IRD in relation to the tax assessments of the subsidiaries and the Directors are of the opinion that there has been no best estimation of the outcome as at the end of this reporting period, taking into account the uncertainties of the outcome of the negotiation which has not been concluded as at the date of this report. Thus, no tax provision has been made for the six months ended 30 September 2023 (31 March 2023: Nil). The Directors will closely monitor the progress and will make provision in a timely manner where necessary and as appropriate.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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)

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 Level 1 based on the degree to which the fair value is observable according to the Group's accounting policy.

	30 September 2023 (unaudited) Level 1 HK\$'000
Financial assets at FVTPL	
Equity security at FVTPL	2,533
Financial assets at FVTOCI	
Insurance contracts	-
	31 March 2023 (audited) Level 1 HK\$'000
Financial assets at FVTPL	
Equity security at FVTPL	2,533
Financial assets at FVTOCI	
Insurance contracts	-

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 their fair values.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental in respect of land and buildings paid to related companies owned by Mr. CHONG Kam Chau, the Director of the Company	205	205

21. APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements were approved and authorised for issue by the Board on 30 November 2023.