COME SURE

COME SURE GROUP (HOLDINGS) LIMITED
錦勝集團（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00794)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

GROUP RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Come Sure Group (Holdings) Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**543,391**	533,875
Cost of goods sold		**(419,361)**	(411,647)
Gross profit		**124,030**	122,228
Other income		**6,733**	6,744
Other gains and losses	*4*	**1,441**	(692)
Selling expenses		**(32,723)**	(30,677)
Administrative expenses		**(49,941)**	(51,333)
Other operating expenses		**(291)**	(54)
Profit from operations		**49,249**	46,216
Finance costs	*5*	**(5,429)**	(9,692)
Profit before tax		**43,820**	36,524
Income tax expense	*6*	**(9,728)**	(10,199)
Profit for the period	*7*	**34,092**	26,325

* *For identification purposes only*

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

For the six months ended 30 September 2020

	Notes	Six months ended 30 September 2020 HK$'000 (unaudited)	2019 HK$'000 (unaudited)
Profit for the period		**34,092**	26,325
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**19,963**	(25,133)
Other comprehensive income (expense) for the period, net of income tax		**19,963**	(25,133)
Total comprehensive income for the period		**54,055**	1,192
Profit (loss) for the period attributable to:			
Owners of the Company		**34,127**	26,441
Non-controlling interests		**(35)**	(116)
		34,092	26,325
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**53,112**	2,949
Non-controlling interests		**943**	(1,757)
		54,055	1,192
Earnings per share			
Basic and diluted	8	**9.81 cents**	7.48 cents
Dividend	9	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 HK$'000 (unaudited)	31 March 2020 HK$'000 (audited)
Non-current assets			
Prepaid lease payments		**43,715**	42,581
Right-of-use assets	*10*	**199,965**	79,724
Property, plant and equipment	*11*	**214,827**	205,343
Investment properties		**239,160**	242,860
Goodwill		**11,631**	11,631
Deposits paid for acquisition of property, plant and equipment		**19,526**	2,818
Club membership		**366**	366
		729,190	585,323
Current assets			
Inventories		**147,038**	93,400
Trade and bills receivables	*12*	**276,179**	219,478
Prepayments, deposits and other receivables		**21,422**	14,055
Tax recoverable		**7,755**	7,755
Equity securities at fair value through profit or loss ("**FVTPL**")		**32,470**	28,529
Pledged bank deposits		**42,399**	24,008
Bank and cash balances		**187,036**	176,650
		714,299	563,875
Current liabilities			
Trade and bills payables	*13*	**200,239**	105,305
Accruals and other payables		**45,223**	36,548
Contract liabilities		**11,405**	12,114
Lease liabilities		**6,399**	6,168
Amounts due to non-controlling shareholders		**36,783**	36,783
Short-term bank borrowings		**255,448**	228,335
Tax payables		**32,771**	21,446
Long-term bank borrowings		**13,701**	30,082
		601,969	476,781
Net current assets		**112,330**	87,094
Total assets less current liabilities		**841,520**	672,417

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2020

	30 September 2020 *HK$'000* (unaudited)	31 March 2020 *HK$'000* (audited)
Non-current liabilities		
Long-term bank borrowings	**1,464**	2,328
Lease liabilities	**202,452**	83,630
	203,916	85,958
NET ASSETS	**637,604**	586,459
Capital and reserves		
Share capital	**3,439**	3,484
Reserves	**641,679**	591,432
Equity attributable to owners of the Company	**645,118**	594,916
Non-controlling interests	**(7,514)**	(8,457)
	637,604	586,459

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results as set out in this result announcement do not constitute the Group's interim report for the six months ended 30 September 2020, which will be published by the Company in due course, but are extractions thereof.

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 2020. The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2020 except as stated in note 2.

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

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

Amendments to HKFRSs that are mandatorily effective for the current period

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

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

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

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[1]
Amendments to HKAS 37	Onerous Contract - Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Update Reference to the Conceptual Framework[1]
Amendments to annual improvements project	Annual Improvements to HKFRS 2018-2020 cycle[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for the Group for annual period beginning on 1 January 2022.

[2] Effective for the Group for annual period beginning on 1 January 2023.

[3] Effective date to be determined.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue of the Group represents revenue arising on sale of goods and gross rental income earned during the period.

Segmental information

The chief operating decision makers have been identified as the executive directors of the Company (the "**Executive Directors**"). The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management determined the operating segments based on internal reports.

The Group has three reportable and operating segments under HKFRS 8 as follows:

Corrugated products	–	manufacture and sale of corrugated board and corrugated paper-based packing products;
Offset printed corrugated products	–	manufacture and sale of offset printed corrugated products; and
Properties leasing	–	properties leased in Hong Kong for rental income.

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenues and results

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

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

For the six months ended 30 September 2020

	Corrugated products *HK$'000* (unaudited)	Offset printed corrugated products *HK$'000* (unaudited)	Properties leasing *HK$'000* (unaudited)	Elimination *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
Segment revenue from contracts with customers within the scope of HKFRS 15					
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
Revenue from other sources					
Gross rental income	–	–	2,812	–	2,812
Total	477,729	105,294	2,812	(42,444)	543,391
Segment results	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)
Profit before tax					43,820

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 September 2019

	Corrugated products *HK$'000* (unaudited)	Offset printed corrugated products *HK$'000* (unaudited)	Properties leasing *HK$'000* (unaudited)	Elimination *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
Segment revenue from contracts with customers within the scope of HKFRS 15					
External sales	440,476	90,903	–	–	531,379
Inter-segment sales	29,205	15,615	–	(44,820)	–
	469,681	106,518	–	(44,820)	531,379
Revenue from other sources					
Gross rental income	–	–	2,496	–	2,496
Total	469,681	106,518	2,496	(44,820)	533,875
Segment results	37,413	15,833	(575)		52,671
Fair value changes of equity securities at FVTPL					244
Dividend income from equity securities at FVTPL					114
Income from wealth management products					1,577
Loss on disposal of equity securities at FVTPL					(861)
Finance costs					(9,692)
Other corporate income and expenses					(7,529)
Profit before tax					36,524

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies as described in the Group's annual financial statements for the year ended 31 March 2020. Segment profits or losses represented the profit earned from each segment without allocation of fair value changes of equity securities at FVTPL, dividend income from equity securities at FVTPL, income from wealth management products, loss on disposal of equity securities at FVTPL, finance costs and other corporate income and expenses. This is the measurement reported to the chief operating decision makers is for the purpose of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Corrugated products *HK\$'000* **(unaudited)**	**Offset printed corrugated products** *HK\$'000* **(unaudited)**	**Properties leasing** *HK\$'000* **(unaudited)**	**Total** *HK\$'000* **(unaudited)**
As at 30 September 2020				
Segment assets	**946,002**	**199,648**	**239,100**	**1,384,750**
Segment liabilities	**358,020**	**96,240**	**1,111**	**455,371**

	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 2020				
Segment assets	695,703	156,969	242,761	1,095,433
Segment liabilities	150,699	90,515	1,260	242,474

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

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. OTHER GAINS AND LOSSES

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
– Current tax	**1,853**	439
The People's Republic of China (the "**PRC**" or "**China**") Tax:		
– Current tax on enterprise income tax ("**EIT**")	**7,875**	5,408
– Withholding tax	**–**	4,352
	7,875	9,760
	9,728	10,199

6. INCOME TAX EXPENSE (Continued)

Hong Kong

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

PRC

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

According to the relevant requirements of the Administrative Measures with regard to the recognition of High and New Technology Enterprise ("**HNTE**"), an enterprise which has obtained the HNTE qualification is entitled to enjoy tax preferential treatment from the year in which the certificate is issued. Furthermore, in accordance with the relevant requirements of the EIT Law, HNTEs are entitled to enjoy a preferential tax rate at the EIT rate of 15%. Come Sure Packing Products (Shenzhen) Company Limited ("**CSP**") and Sky Achiever Paper Industrial (Shenzhen) Company Limited ("**SAP**") are entitled to preferential rate of 15% for the six months ended 30 September 2020 as both of the subsidiaries were qualified as HNTE. CSP and SAP enjoy a preferential tax concession and the applicable EIT rate are at a reduced rate of 15% from 1 January 2018 to 31 December 2020 and 1 January 2019 to 31 December 2021 respectively. The HNTE designation will be reassessed every three years according to relevant rules and regulations.

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

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

The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% (six months ended 30 September 2019: 5%) upon distribution of such profits to foreign investors in Hong Kong.

Macau

A portion of the Group's profit for the six months ended 30 September 2020 and 2019 were earned by the subsidiaries of the Group incorporated under the Macao Special Administrative Region's Offshore Law. Pursuant to the Macao Special Administrative Region's Offshore Law, such portion of profits is exempted from Macau complimentary tax. Furthermore, in the opinion of the Directors, that portion of the Group's profit is not, at present, subject to taxation in any other jurisdiction in which the Group operates.

The Group

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

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

7. PROFIT FOR THE PERIOD

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

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. EARNINGS PER SHARE

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

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

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

The calculation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of shares for the six months ended 30 September 2020 and 2019.

9. DIVIDEND

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

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

The Board does not recommend any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

10. RIGHT-OF-USE ASSETS

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

11. PROPERTY, PLANT AND EQUIPMENT

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

12. TRADE AND BILLS RECEIVABLES

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

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

13. TRADE AND BILLS PAYABLES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

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

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

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

Business Review

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

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

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

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

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

Results of Operation

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

Revenue

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

Guangdong operation

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

Fujian operation

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

Properties leasing

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Gross Profit

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

Guangdong operation

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

Fujian operation

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

Properties leasing

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

Selling and Administrative Expenses

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

Finance Costs

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

Other Gains and Losses

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Working Capital

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources

	30 September 2020	31 March 2020
Current ratio	1.19	1.18
Gearing ratio	18.7%	22.7%

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

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

The total outstanding bank borrowings maintained at approximately HK$270.6 million as at 30 September 2020 (as at 31 March 2020: approximately HK$260.7 million), of which approximately HK$260.2 million was repayable within one year and approximately HK$10.4 million was repayable after one year. As at 30 September 2020, all the bank borrowings of the Group were secured, mostly denominated in HKD and RMB and carried floating interest rates.

The Group's gearing ratio (total borrowings divided by total assets) was further improved and maintained at a sound liquidity position of approximately 18.7% as at 30 September 2020 (as at 31 March 2020: approximately 22.7%). With effective working capital management, the Group is able to maintain sufficient cash flow and banking facilities for existing business development and future financing investment opportunities.

Material Acquisitions

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

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

* *For identification purpose only*

Foreign Exchange Risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective members of the Group. The Group will continue to closely monitor the foreign currency exposure and will consider taking appropriate initiatives, including but not limited to hedging significant foreign currency exposure should the need arise.

Charge of Assets

As at 30 September 2020, the Group pledged certain assets such as bank deposits, buildings and investment properties, with aggregate carrying value of approximately HK$281.4 million (as at 31 March 2020: approximately HK$266.7 million), to secure banking facilities granted to the Group.

Capital Commitment

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

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

Contingent Liabilities

The IRD issued estimated assessment and additional assessment for the year of assessment 2009/10 to 2013/14 to six subsidiaries of the Group amounting to HK$16,867,000. In the opinion of the Directors, there is no specific basis for adjusting the subsidiaries' tax position for the years of assessment 2009/10 to 2013/14 specified in the estimated assessment and additional assessment. The Directors are of the view that no tax provision for Hong Kong Profits Tax is required at this stage. The subsidiaries will discuss with the IRD and will continue to monitor the progress and to defend the subsidiaries' tax position vigorously. Therefore, no tax provision was provided thereon at 30 September 2020 in this regard (31 March 2020: Nil).

Employees and Remuneration

The Group had 1,480 employees in total as at 30 September 2020 (as at 31 March 2020: 1,211). During the Period, the Group's total expenses on the remuneration of employees including emolument of the Directors were approximately HK$73.9 million (for the corresponding period in 2019: approximately HK$71.5 million).

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Employees and Remuneration (Continued)

The Group's emolument policies are primarily formulated based on the performance of individual employees and the current market situation, which will be reviewed periodically. In addition to medical insurance and MPF scheme, competitive remuneration packages and discretionary bonuses, which are generally structured with reference to market terms, are also awarded to eligible employees according to the assessment of individual performance.

Prospect

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

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

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

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

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

Particulars of the repurchases during the Period are as follows:

Month of repurchase	No. of Ordinary shares of HK$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
April 2020	1,120,000	0.51	0.51	571,200
July 2020	1,534,000	0.69	0.69	1,058,460
August 2020	1,866,000	0.68	0.66	1,263,280
	4,520,000			2,892,940

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Board is committed to maintain appropriate corporate governance practices to enhance the accountability and transparency of the Company in order to protect its shareholders' interests and to ensure that the Company complies with the latest statutory requirements and professional standards.

The Company had complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period.

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 results announcement and the unaudited consolidated financial statements of the Group for the Period, including the accounting principles and practices adopted, internal controls and financial reporting matters.

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

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

CHANGE OF FINANCIAL CONTROLLER

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

EVENTS AFTER THE PERIOD

Save as disclosed in this announcement, 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 announcement.

PUBLIC FLOAT

As far as the Company is aware, at least 25% of the issued shares of the Company were held in public hands as at 30 September 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is available for viewing on the Company's website at www.comesure.com and the Stock Exchange's website at www.hkexnews.hk, and the interim report of the Company for the Period containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Company's and the Stock Exchange's websites in due course.

By Order of the Board
Come Sure Group (Holdings) Limited
CHONG Kam Chau
Chairman

Hong Kong, 30 November 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. CHONG Kam Chau, Mr. CHONG Wa Pan and Mr. CHONG Wa Ching; and three independent non-executive Directors, namely Mr. CHAU On Ta Yuen, Ms. TSUI Pui Man and Mr. LAW Tze Lun.