HUAXI HOLDINGS COMPANY LIMITED
華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1689

2015
ANNUAL REPORT

FOR THE BETTERMENT
OF HIGH BLOOD SUGAR

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This Annual Report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zheng Andy Yi Sheng
Mr. Zheng Minsheng

Independent non-executive Directors
Mr. Lau Kwok Hung
Mr. Ma Wenming
Mr. Fok Po Tin

AUDIT COMMITTEE

Mr. Lau Kwok Hung *(Chairman)*
Mr. Ma Wenming
Mr. Fok Po Tin

REMUNERATION COMMITTEE

Mr. Lau Kwok Hung *(Chairman)*
Mr. Ma Wenming
Mr. Fok Po Tin

NOMINATION COMMITTEE

Mr. Zheng Andy Yi Sheng *(Chairman)*
Mr. Lau Kwok Hung
Mr. Fok Po Tin

CORPORATE GOVERNANCE COMMITTEE

Mr. Zheng Andy Yi Sheng *(Chairman)*
Mr. Zheng Minsheng
Mr. Lau Kwok Hung

COMPANY SECRETARY

Mr. Yu Wing Cheung

AUTHORISED REPRESENTATIVES

Mr. Zheng Andy Yi Sheng
Mr. Yu Wing Cheung

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISER

On Hong Kong law
Peter K.S. Chan & Co.

On Cayman Islands law
Appleby

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1906–07 Cosco Tower
183 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

Clifton House, P. O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House, P. O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712–16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Bank of China Limited
China Minsheng Banking Corporation Limited
Industrial & Commercial Bank of China Limited

WEBSITE

http://www.huaxihds.com.hk

STOCK CODE

01689

Dear shareholders,

On behalf of the board of directors (the "Board") of Huaxi Holdings Company Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), I am pleased to present the annual results and the audited financial statements of the Group for the year ended 31 March 2015.

Since the listing of its shares, the Group has maintained a steady development progress. Through technological innovation, the wastage of the raw materials has declined and the rate of success for finished products has improved, which reduced the cost of production and enhanced economic benefits of enterprise. The Company has actively explored new markets in attempt to increase new customers, while the expansion in market share has contributed to an increase in operation revenue.

For the long-term and diversified development of the Company, the Group decided to invest and develop in the multi-faceted biotechnology segment. In view of the fact that there exist more than 100 million people in Mainland China with hyperglycemia conditions which provides a huge market of functional food, the Group and Yangtze Delta Region Institute of Tsinghua University (清華長三角研究院) have jointly developed series of functional food suitable for people with hyperglycemia. We have established Huazhang Biotechnology (Shanghai) Company Limited (華章生物科技（上海）有限公司) and built up production and planting base in surrounding area of Heihe, Heilongjiang province. Relying on the research strength of Tsinghua University and strong brand effect, the Group marched into the biotechnology business. We believe that the diversifying operations of the Group will usher in long and favourable economic and social benefits for the Company in the future.

Finally, I would like to take this opportunity to express my sincere gratitude to the Board, the management team and all staff members for their talents, efforts and commitment to deliver our growth plans. Also, I am much obliged to the shareholders, business partners, bankers, customers and suppliers for their encouragement and support and sincerely hope that they will continue their support and cooperation in the future.

Zheng Andy Yi Sheng
Chairman

BUSINESS AND OPERATION REVIEW

The economic growth in China slowed down and increased by 7.4% in 2014 and the average disposable income of urban residents grew by 9.0%. In 2014, sales in the PRC tobacco market recorded an increase of approximately 1.6%. Demand of cigarette in the consumer market is expected to maintain steady growth in the coming year.

In March 2014, the policy, Administrative Measures on Cigarette Brand Specifications (卷煙品牌規格管理辦法) was implemented to encourage cigarette manufacturers to focus on building up top-tier brands. Our major customers are key cigarette manufacturers in the People's Republic of China (the "PRC") manufacturing several well-known brands. The Group's revenue during the year under review was approximately HK$298.07 million which represented an increase of approximately HK$33.24 million or 12.6% as compared with last financial year. Increase in turnover is mainly resulted from manufacture of transfer printing cardboard and transfer art paper to our new customers. The following table sets forth the breakdown of the Group's revenue for the financial year ended 31 March 2015 ("FY2015") and 31 March 2014 ("FY2014").

	FY2015		FY2014	
	HK$'000	**%**	HK$'000	%
Inner frame paper	**136,641**	**45.8**	152,489	57.6
Cigarette box frame paper	**44,672**	**15.0**	24,565	9.3
Tipping paper	**82,251**	**27.6**	67,773	25.6
Cigarette trademark label	**12,932**	**4.3**	15,529	5.9
Cigarette paper box	**2,924**	**1.0**	2,757	1.0
Transfer printing cardboard and transfer art paper	**17,753**	**6.0**	–	–
Sales from processing services and others	**893**	**0.3**	1,717	0.2
Total	**298,066**	**100.0**	264,830	100.0

Gross Profit and Gross Profit Margin

The gross profit of the Group in the period under review reported approximately HK$111.91 million (2014: HK$108.41 million), an increase of approximately HK$3.51 million compared with last financial year. The overall gross profit margin slightly decreased by 3.4% compared with last financial year from 40.9% in FY2014 to 37.5% in FY2015. There were no substantial increase in costs of certain materials in FY2015 and the success rate for finished products has improved. However, the overall gross profit margin decreased which was resulted from sales of semi-finished products, transfer printing cardboard and transfer art paper, with a lower gross margin.

Distribution Expenses

Distribution expenses of the Group increased by approximately HK$0.20 million or 7.3% from approximately HK$2.75 million in FY2014 to approximately HK$2.95 million in FY2015 in line with increase of sales and also saving in effective logistics in procurement of raw materials and delivery of goods.

Administrative Expenses

The Group's administrative expenses in FY2015 was approximately HK$28.15 million decreased by approximately HK$8.64 or 23.5% compared with HK$36.79 million in FY2014. The decrease of administrative expenses was due to the one-off listing expenses of approximately HK$9.86 million and the increase in salary for senior administrative staff, including share based payment in related to options granted to eligible participants in January 2015, and expenses for professionals in related to compliance matter after listing of the Company.

Taxation

Taxation of the Group in FY2015 was approximately HK$16.11 million (FY2014: HK$15.38 million) which was increased by approximately HK$0.73 million, compared with FY2014, in line with the profit before taxation. On 9 October 2014, Shantou Xinda Colour Printing & Packing Material Company Limited ("Xinda Packing"), a indirectly wholly owned subsidiary of the Company was awarded High & New Technology Enterprise Certificate to grant an income tax rate at 15% for three years commencing from 1 January 2014.

Future Outlook and Prospects

Despite the unfavourable factors including slowdown in growth of economy in the PRC, the policy against corruption and bribery and the policy to impose a tight control against smoking in public area, with a smoking population of over 300 million in the PRC, the cigarette market is still expected to maintain a steady growth. The Group will also dedicate more efforts on bolstering relations with existing customers and explore new markets to expand our market share and enhance our market position.

Besides the cigarette packages packing material business, the Group has also been actively looking for new investments and business opportunities in order to diversify its existing business with a view to achieving better growth potential and enhancing shareholders' return. In the period under review, the Group diversified its business into the biotechnology sector which has market potential. The Group entered into a Development Agreement with Yangtze Delta Region Institute of Tsinghua University on the research to cultivate varieties of rice and wheat with high-resistant starch and to develop high-resistant starch food applicable for the diabetes.

Looking forward to the future, the new business will usher in long and favourable economic and social benefits for the Company. The Board believes that the diversifying operations of the Group will broaden our source of income and avoid from reliance in one business model so as to deliver attractive returns to the shareholders.

Final Dividend

The Board has recommended to declare a final dividend of HK8.00 cents per ordinary share for the year ended 31 March 2015 (the "Final Dividend") (31 March 2014: HK7.00 cents) whose names appear on the Register of Members of the Company on 4 September 2015. During the current year, the Board declared and paid an interim dividend of HK4.00 cents per share for the six months ended 30 September 2014. The Final Dividend is subject to the approval of the shareholders at the forthcoming annual general meeting (the "AGM") of the Company. If passed, the Final Dividend is expected to be paid on or around 18 September 2015.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2015, the Group's total cash and cash equivalents amounted to approximately HK$232.67 million including restricted cash of HK$52.09 million, bank deposit with maturity over three months of HK$42.67 million and cash and cash equivalent of HK$137.91 million (31 March 2014: HK$165.98 million).

In the FY2015, the Group's net cash generated from operating activities, investing activities and financing activities amounted to approximately HK$63.97 million, HK$2.59 million and HK$17.80 million respectively. The Group primarily uses cash inflow of operating activities and banking facilities to satisfy the requirement of working capital.

Fund raising activities during the year

On 12 September 2014, the Company completed a placement and issued 28,000,000 new ordinary shares of HK$0.01 each (aggregate nominal value of HK$280,000) to independent third parties at the price of HK$1.70 per share pursuant to the placing agreement dated 18 August 2014. The closing market price on the date of issue was at HK$1.85 per share. Net proceeds of approximately HK$46.8 million were received and used to enhance its capital base and broaden its shareholders' base.

Borrowings and gearing ratio

The Group did not have any borrowing as at 31 March 2015 and 2014.

Exposure to fluctuations in exchange rate

The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, other receivables and other payables maintained in Hong Kong Dollars. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

The Group's transactions for its subsidiary in the PRC were mainly conducted in Renminbi ("RMB"), the functional currency of the subsidiary, and the major receivables and payables are denominated in RMB. Accordingly, the Group's exposure to currency risk is insignificant.

Capital expenditure

In the FY2015, the Group's total capital expenditure amounted to approximately HK$20.38 million (FY:2014: HK$5.76 million), which was used in the acquisition of property, plant and equipment and prepayment for an intangible asset.

Charge on assets

As at 31 March 2015, the Group placed cash deposits of approximately HK$52.09 million with designated banks as collateral for Group's notes payable (31 March 2014: HK$52.30 million).

Contingent liability

The Group has no significant contingent liabilities as at 31 March 2015 (31 March 2014: Nil).

Capital commitments

As at 31 March 2015, the Group had capital commitments for the amount of approximately HK$0.67 million (31 March 2014: HK$3.69 million) for acquisition of property, plant and equipment.

Significant Investments, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

There was no significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company in FY2015 and FY2014.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Group employed a total of 269 (31 March 2014: 255) permanent employees in PRC and Hong Kong. Total employee remuneration (including directors' emoluments and benefits) in FY2015 amounted to HK$18.32 million (FY2014: HK$13.17 million). The Group provides its employees with competitive remuneration packages which were determined by their performance, qualification, experience and continued to review with reference to the level and composition of pay and general market condition. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, and discretionary incentive and share option schemes.

EXECUTIVE DIRECTORS

Mr. ZHENG Andy Yi Sheng, aged 54, was appointed as a director on 29 April 2013 and redesignated as an executive director on 24 July 2013. He was also appointed as the chairman of the Board and chief executive officer on 24 July 2013. He is also the chairman of the nomination committee and corporate governance committee of the Company. Mr. Zheng is the founder of the Company and has over 20 years of experience in the packaging material industry. Since 1992, he has been the director of Xinda Packing and became chairman since 1997. Mr. Zheng was awarded a fellowship of Asian College of Knowledge Management in 2013. Mr. Zheng is the elder brother of Mr. Zheng Minsheng, an executive director of the Company.

Mr. ZHENG Minsheng, aged 51, was appointed as an executive director on 24 July 2013 and is the deputy general manager of our Group. He is also a member of the corporate governance committee Mr. Zheng has over 20 years of experience in the packaging material industry. Since 1992, he has been a director and deputy general manager of Xinda Packing and is responsible for procurement of raw materials, production management and quality control. Mr. Zheng is the younger brother of Mr. Zheng Andy Yi Sheng, the chairman of the Board, an executive director and chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kwok Hung, aged 68, was appointed as an independent non-executive director on 24 July 2013. He is the chairman of the audit committee and remuneration committee of the Company and a member of the nomination committee and corporate governance committee of the Company. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is experienced in financial accounting, auditing, tax, company secretarial matter and corporate finance. In particular, he has over ten years of experiences in mergers, acquisitions and corporate restructuring. He also obtained a Specialist Qualification (SQ) in Insolvency issued by the Hong Kong Institute of Certified Public Accountants and a Diploma in International Business Valuation. He is currently an independent non-executive director of Mayer Holdings Limited and was an executive director of Neptune Group Limited during the period between October 2001 and November 2012 which shares are listed on The Stock Exchange of Hong Kong Limited..

Mr. MA Wenming, aged 72, was appointed as an independent non-executive director on 24 July 2013. He is the member of the audit committee and remuneration committee of the Company. Mr. Ma was the factory manager of Anyang Cigarette Factory (安陽捲煙廠) and was the division head (司長) of development and planning division (發展計劃司) of The State Tobacco Monopoly Administration (中國國家煙草專賣局). Mr. Ma was an independent director of Shenzhen Jinjia Color Printing Group Co., Ltd. (深圳勁嘉彩印集團股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code 002191, from November 2006 to April 2008.

Mr. FOK Po Tin, aged 55, was appointed as an independent non-executive director on 24 July 2013. He is the member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Fok graduated from The Chinese University of Hong Kong with a business administration degree and Peking University with a law degree. He also completed the Common Professional Examination in HKU School of Professional and Continuing Education in 1992. Mr. Fok is a solicitor qualified to practice the laws of Hong Kong and the sole proprietor of Henry Fok & Co. He has over 17 years of experience in the legal profession. Mr. Fok was an independent non-executive director of Long Success International (Holdings) Limited (stock code: 08017) during the period between 2 November 2012 and 5 February 2013.

SENIOR MANAGEMENT

Mr. HUANG Bongde, aged 52, joined the Group in January 2014, as the general manager of the Group. Mr. Huang holds a degree in Bachelor of Business Administration from University of Management & Technology, Virginia and EMBA from Sun Yat-Sen University School of Business. He has over twenty years experience in business management in various well-known hotel management groups companies in the PRC.

Mr. LI Zhiyong, aged 53, is the deputy general manager of Xinda Packing. Mr. Li has worked in the Group since September 1995 and is responsible for all marketing activities. Mr. Li graduated from Shantou Commercial Bureau Staff Amateur Secondary School (汕頭市商業局職工業餘中學).

Mr. TANG Jinhai, aged 41, joined the Group in July 2013 as the financial controller of Xinda Packing. Mr. Tang was graduated from Huazhong Polytechnic University (華中理工大學) (now known as Huazhong University of Science & Technology) in 1996. Mr. Tang is a CICPA registered under Guangdong Provincial Institute of Certified Public Accountants and has over ten years of experience in assurance works and more than seven years in financial management.

Mr. LI Yaohui, aged 39, has been the factory manager of Xinda Packing since June 2007. He is responsible for material processing of the factory. Mr. Li has been the deputy general manager of Chaoan Jixiang Mould Company Limited (潮安吉祥膜業有限公司) during the period between 2004 and 2007. Mr. Li completed a course in business administration in Meizhou Jiaying University (梅州嘉應大學) in July 1996.

Mr. LI Cancheng, aged 34, joined the Group in August 2006. He is the factory manager of Xinda Packing. He is responsible for tipping paper processing, printing and packaging manufactory. Mr. Li has been a drawing designer in Shantou Zhaohua Electric Company Limited (汕頭市兆華電業有限公司) during the period between 1999 and 2006. Mr. Li completed a course in economic management in South China University of Technology (華南理工大學) in July 2005. Mr. Li has been awarded the qualification of intermediate economist (中級經濟師) in human resources by Ministry of Human Resources and Social Security of the PRC in January 2010.

Ms. CAI Peihua, aged 50, joined the Group in December 2000. She is the financial officer of Xinda Packing. Ms. Cai completed a course in industrial financial accounting in Shantou Yeyu University (汕頭市業餘大學) in July 1990. Ms. Cai is the spouse of Mr. Zheng Minsheng, an executive Director and the deputy general manager of the Group.

Mr. YU Wing Cheung, aged 57, joined the Group in November 2013. He is the company secretary, financial controller and authorized representative of the Company. Mr. Yu holds a Bachelor of Business Administration degree in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of professional experience in finance and accounting.

The Group strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the board of directors (the "Directors") of the Company (the "Board") believes that effective governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the year ended 31 March 2015 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Zheng Andy Yi Sheng is the chairman and chief executive officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

MODEL CODE FOR 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.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2015.

THE BOARD OF DIRECTORS

Composition

As at 31 March 2015, the Board comprised two executive directors, being Mr. Zheng Andy Yi Sheng and Mr. Zheng Minsheng; three independent non-executive directors, being Mr. Lau Kwok Hung, Mr. Ma Wenming and Mr. Fok Po Tin.

The Directors have brought a balance of valuable and diversified business and professional expertise, experiences and independent judgement to the Board for its sufficient and effective management of the Company's business.

The biographical details of the Directors are set out in the section headed "Biographical details of directors and senior management" in this annual report which demonstrate a diversity of skills, experience and qualification.

Relationship amongst Directors

Mr. Zheng Minsheng is the younger brother of Mr. Zheng Andy Yi Sheng.

Save as aforesaid, the Board members do not have any financial, business, family or other material and/or relevant relationship with each other.

Responsibilities of the Board

The Board is responsible for the leadership and control of the Company and collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board also takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

All directors have full and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

The Company has arranged appropriate liability insurance for the Directors and the senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The Board has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), and the nomination committee (the Nomination Committee") and the corporate governance committee (the "CG Committee") (collectively, the "Board Committees"). Further details of these committees are set out below.

The following table sets forth certain information regarding the Directors:

Name	Position	Roles and responsibilities
Mr. Zheng Andy Yi Sheng	Chairman, general manager and chief executive officer	Overall business strategies and management, chairman of the nomination committee and corporate governance committee and one of the authorised representatives of the Company
Mr. Zheng Minsheng	Executive Director and deputy general manager	Procurement, production management, quality control and member of the corporate governance committee
Mr. Lau Kwok Hung	Independent non-executive Director	Chairman of the audit committee and remuneration committee of the Company and a member of the nomination committee and corporate governance
Mr. Ma Wenming	Independent non-executive Director	Member of the audit committee and remuneration committee
Mr. Fok Po Tin	Independent non-executive Director	Member of the audit committee, remuneration committee and nomination committee

Board Diversity

During the year, the Company adopted a Board Diversity Policy (the "Policy") which sets out the approach to diversify the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge, and any other factors that the Board might consider relevant and applicable.

The Nomination Committee has set the measurable objectives based on gender, age, cultural and educational background, professional experience and skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee and the Board will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

Having reviewed the Policy and taken into account the measurable objectives, the Nomination Committee and the Board considered that the Board's composition has complied with the requirement of the Policy during the year.

Professional Development of the Directors

Upon appointment to the Board, Directors receive an induction package covering the general understanding of the Group and its businesses and operations. Meetings are also arranged with the Company's external legal adviser on directors' legal role and responsibilities.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, all Directors are provided with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. Some Directors also attended seminars and/or conferences and/or talks organised by professional bodies on topics including corporate governance, Listing Rules updates, legal supervising or financial updates. A summary of training received by Directors during the year ended 31 March 2015 according to the records provided by the Directors is as follows:

Name of Directors	Types of trainings
Mr. Zheng Andy Yi Sheng	B
Mr. Zheng Minsheng	B
Mr. Lau Kwok Hung	A, B
Mr. Ma Wenming	B
Mr. Fok Po Tin	A, B

A: Attending seminars and/or conference and/or talks

B: Reading update on latest development and changes in Listing Rules and their relevant legal and regulatory requirements.

BOARD MEETINGS

Five Board meetings were held for the year ended 31 March 2015. Ad-hoc meetings will also be convened if necessary to discuss the overall strategy as well as the operation and financial performance of the Group. Notice of Board meeting was sent to all Directors at least 14 days prior to a regular board meeting. Reasonable notices will be given to the Directors for ad-hoc board meetings. Directors may participate either in person or through electronic means of communications.

All relevant materials were sent to all the Directors relating to the matters brought before the meetings. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings.

The attendance of each Director at the Company's general meetings and regular Board meetings held during the year ended 31 March 2015 was as follows:

Name of Directors	Meetings attended/held Regular Board Meeting	Annual General Meeting
Mr. Zheng Andy Yisheng	5/5	1/1
Mr. Zheng Minsheng	3/5	1/1
Mr. Lau Kwok Hung	5/5	1/1
Mr. Ma Wenming	2/5	1/1
Mr. Fok Po Tin	3/5	1/1

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee to oversee particular aspects of the Company's affairs. All committees are established with defined written terms of reference setting out their respective authorities and duties, which are available on the Company's website. The committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

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Audit Committee

The Audit Committee is currently chaired by Mr. Lau Kwok Hung and its other members are Mr. Ma Wenming and Mr. Fok Po Tin. All of them are independent non-executive Directors who possess the relevant qualifications, experiences and skills to contribute to the financial, governance, internal controls and risk management of the Company.

The main duties of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual financial items, overseeing the relationship between the Company and the external auditors, and reviewing the adequacy and effectiveness of the Company's internal control. Details of the authority and duties of the Audit Committee are on the Company's website.

During the year ended 31 March 2015, the Audit Committee held two meetings, inter alia, to review the 2014 annual results and the interim results for the six months ended 30 September 2014 of the Group and to review the Group's internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. During the year ended 31 March 2015, the Audit Committee met the external auditor twice without the presence of the management to discuss any areas of concerns. Members and their attendance are as follows:

Name of Directors	Meetings attended/held
Mr. Lau Kwok Hung *(Chairman)*	2/2
Mr. Ma Wenming	2/2
Mr. Fok Po Tin	2/2

Remuneration Committee

The Remuneration Committee is currently chaired by Mr. Lau Kwok Hung, an independent non-executive Director, with Mr. Ma Wenming and Mr. Fok Po Tin as members. The Remuneration Committee is mainly responsible for making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management of the Group. Details of the authority and duties of the Remuneration Committee are available on the Company's website.

During the year ended 31 March 2015, the Remuneration Committee convened one meeting to review the remuneration package of the Directors and senior management. Members and their attendance are as follows:

Name of Directors	Meetings attended/held
Mr. Lau Kwok Hung *(Chairman)*	1/1
Mr. Ma Wenming	1/1
Mr. Fok Po Tin	1/1

Nomination Committee

The Nomination Committee is currently chaired by Mr. Zheng Andy Yi Sheng, Chairman of the Board, with Mr. Lau Kwok Hung and Mr. Fok Po Tin as members.

The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become board members, considering the re-appointment of directors, reviewing the Board's diversity policy and relevant implementation of the diversity policy, and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and duties of the Nomination Committee are available on the Company's website.

During the year ended 31 March 2015, the Nomination Committee convened one meeting to review the structure, size, composition and diversity of the Board and to consider, nominate and recommend re-appointment of Directors. Members and their attendance are as follows:

Name of Directors	Meetings attended/held
Mr. Zheng Andy Yi Sheng *(Chairman)*	1/1
Mr. Lau Kwok Hung	1/1
Mr. Fok Po Tin	1/1

Corporate Governance Committee

The CG Committee is currently chaired by Mr. Zheng Andy Yi Sheng, Chairman of the Board, with Mr. Zheng Minsheng and Mr. Lau Kwok Hung as members.

The CG Committee is responsible for, amongst other things, to evaluate and review the Company's policies and practices on corporate governance and make recommendation to the Board, review and monitor the training and continuous professional development of Directors and senior management, and monitor the Company's policies and practices on compliance with legal and regulatory requirement on corporate governance matters of the Group. Details of the authority and duties of the CG Committee are available on the Company's website.

During the year ended 31 March 2015, the CG Committee convened one meeting to review the structure, size, composition and diversity of the Board and to consider, nominate and recommend re-appointment of Directors. Members and their attendance are as follows:

Name of Directors	Meetings attended/held
Mr. Zheng Andy Yi Sheng (*Chairman)*	1/1
Mr. Zheng Minsheng	1/1
Mr. Lau Kwok Hung	1/1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its external auditor for the year ended 31 March 2015. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by PricewaterhouseCoopers and considered that these non-audit services have no adverse effect on the independence of the auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 March 2015, the fee paid/payable to PricewaterhouseCoopers in respect of its statutory audit services provided to the Company was approximately HK$1,280,000. Fees for non-audit services for the same period was approximately HK$180,000.

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Group and reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group.

Procedures have been designed to (i) safeguard assets from inappropriate use; (ii) maintain proper accounting records; (iii) ensure compliance with applicable law, rules and regulations; and (iv) manage the risk of failure to achieve business objectives.

The internal controls system provides a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed. It could only manage, rather than eliminate, all risks of material misstatement, errors, loss or fraud.

During the year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal controls system continuously, which covers financial, operational, and compliance controls as well as risk management function, in order to cope with the changing business environment.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2015.

COMPANY SECRETARY

The company secretary of the Company is Mr. Yu Wing Cheung who is a full time employee of the Company. He reports to the Board and is responsible for advising the Board on compliance matters. Minutes of all meetings of the Board and Committees, recording sufficient details of matters considered and decisions reached, are kept by the company secretary, and are open for inspection by the Directors upon request.

For the year ended 31 March 2015, Mr. Yu confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS

Communications with Shareholders

The Board recognizes the importance of continuing communications with the Company's shareholders (the "Shareholders") and investors, and maintains ongoing dialogues with them through various channels. The formal communication channels between the Company and the Shareholders are announcements, circulars, press releases and interim and annual reports. All Shareholders' communications are available on the Company's website. An up-to-date consolidated version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Shareholders are encouraged to participate in annual general meetings and other general meetings of the Company which provide a useful forum for the Shareholders to exchange views with the Board. The Board members and management of the Company are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary.

Shareholders' rights

Pursuant to the Article of Association Shareholders holding not less than 10% of the paid-up capital of the Company at the date of deposit of written requisition to the Board or the company secretary, can at all times require a special general meeting to be called by the Board for addressing specific issues of the Company within 21 days from the date of deposit of such requisition to the Company's head office address in Hong Kong.

The Group recognizes Shareholders' rights in exercising control proportionate to their equity ownership. The Company has been conducting voting at the general meetings by way of poll, which is conducted and scrutinised by the Company's branch share registrar in Hong Kong. Procedures for conducting a poll are explained by the Chairman of the Board in the general meetings prior to the taking of the poll. Poll results are announced and posted on the websites of both the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders' enquiries and proposals

Pursuant to the Article of Association, Shareholders may direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, in person or by post. Contact details are set out in the "Information for Stakeholders".

Enquiries and proposals by Shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Hong Kong head office address of the Company section to this annual report.

This Environment, Social and Governance Report (the "Report") is prepared by the Company based on the guidelines on disclosure set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The reporting period covered by the Report is from 1 April 2014 to 31 March 2015.

The Company firmly believes that good corporate citizenship is the key for an enterprise to develop a stable and long-lasting business. Thus, the Group shoulders corporate social responsibility and upholds business ethics, environmental and civil awareness. In terms of development strategy, favourable working conditions for employees always come first. Dedicated to activities such as greening, preservation and community care, the Group constantly explores crucial issues, including sustainable operation and employee development, and leverages on its business strengths to promote sustainable development and contribute to the local community. Such initiatives target to achieve mutual benefits and create a harmonious community, and maintain a cordial relationship with the local society.

Greening and Preservation

Green area occupies half of the gross area of the Company's plant in Wanji Industrial Zone, Shantou City. As a manufacturer of packaging materials, we endeavour to integrate environmental-friendly concepts into each and every production procedure and promote energy-saving information among employees. Meanwhile, the following energy-saving and management measures have been implemented in our plants and offices with encouraging progress:

- The Shantou plant introduced "Implementing Rules for energy cut and environmental protection" and stipulated guidelines on energy cut and environmental protection for each sub-plant, department and workshop, including:
  - To reduce electricity consumption by strictly controlling the running speed of machines and keeping heating temperature within a required range
  - To phase out and replace high electricity consumption equipment with energy-saving one
  - To reduce paper consumption by proactively promoting e-office
  - To control water flow by installing water saving devices
- As at the end of March 2015, the Company spent RMB57,000 and RMB68,000 to build a sewage treatment system for our canteen and hot air ovens with energy-saving system for our workshops, respectively. The former meets the requirements of the national Grade I emission standard and is expected to purify 200 tonnes of sewage per month, while the latter reduces monthly and annual electricity consumption by about 11,000kWh and 130,000kWh, respectively.
- Greening efforts, including camphor trees and lawn plantation in the plant area are enhanced to forge a refreshing and comfortable environment in the industrial zone.

ONGOING OPERATION

Since the commencement of our packaging material business in 1992, the Company has already achieved notable growth and development, which was attributable to our stringent internal quality control, our close collaboration with suppliers, as well as the long-standing support from customers. Riding on our success in the past, the Company will continue striving for building up a solid foundation for sustainable development by adhering to the following principles of operation:

- **Quality control must be implemented consistently throughout the entire production process**
  Product sample checking is conducted at each and every stage of the production process by our quality inspectors in accordance with the internal quality control standard to ensure the product quality of the Group:

  - At the early stage of production process, raw materials will undergo stringent quality inspection in various areas, including paper thickness, viscosity of adhesive and heavy metal contents in printed ink, to ensure compliance with the standards stipulated by the Group.

  - Our quality inspectors will continue to monitor the quality of the work-in-progress during the production process and to observe attentively whether they are up to the standards, such as the effect of colour difference and foil stamping.

  - At the stage of final products, thorough quality checking will be performed according to various standards on physical and chemical properties etc. to assure our customers that the packaging materials delivered are of the best quality.

- **Stringent selection criteria on suppliers**
  We will evaluate our suppliers in terms of their production management standard, technical sophistication, supply capacity, pricing and reputation etc. Furthermore, we will conduct site visits to the plants of our suppliers to assess the examination procedure, warehousing management, production techniques, equipment and so on so as to identify the most suitable business partners.

- **Maintaining long-term cooperation relationship with our business partners**
  To ensure long-term and stable supply of high-quality materials and provision of services from our suppliers, all suppliers have to undergo a strict examination process. We will also maintain close connection with suppliers and will propose any improvement to them with a view to creating a win-win situation.

- **Tightening relationship with customers**
  We place great importance to customers' feedback and have been committed to maintaining smooth and effective communication channels with customers and to formulating cooperation terms that are mutually beneficial, in order to establish and expand our long-term customer base.

- **Investing into production and quality control equipment**
  We maintain a fully-equipped laboratory with appliances including but not limited to: Agilent high performance liquid chromatography from the United States, Boruike(博瑞克) thickness tester, W3/031water vapour permeability tester for implementing our quality control procedures. In addition, we have also acquired production equipment including but not limited to a laser punch machine model I PEB 8 480W 150 and multi-functional coating machine model FTB1300M, which helped to strengthen the production capability of the Group.

EMPLOYEE DEVELOPMENT

Talent is the most important asset of an enterprise. Therefore, we give priority to personal development and work environment for the staff and build a close relationship with each member of the team to work together for the betterment of the enterprise. The Group spares no effort to implement the principle of equal employment opportunity, as evidenced by gender balance in the Company. Market competitive salary levels are determined based on qualifications, experience, skills and performance. In addition to favourable employee benefits, we also boost the welfare of employees in various ways:

- With a view to facilitating employees' participation in the growth of the Company, we granted share options to a majority of employees in the plant in January 2015 as rewards for their contribution and a method to retain quality staff members to continue to work for the Company.

- The staff is encouraged to pursue continuous education to expand their expertise constantly. Besides on-the-job training, the Group also offers subsidies for staff members' enrolment of a university programme, with some of them admitted into the China University of Geosciences. Enriched experience from the staff shall contribute to the improvement of technical standards of the Company.

- It is of utmost importance to our business that the staff works in a safe and healthy environment. The Group conducts occasional safety assessment on workplace, equipment and environment for the staff. Moreover, the Group carries out annual examination on work environment and the staff's health. Concentration levels of ethyl acetate and ethyl benzene in air at workplace are tested and noise monitors are set up. The safety of ink is also inspected.

- We have put in place a set of anti-fraud procedures and established a "anti-fraud notification" mailbox and hotline dedicated to anti-corruption in order to improve the transparency of the enterprise and maintain a governance structure with integrity.

- The Group recognises the importance of work-life balance for the staff and arranges corporate vacation for the staff every year. Destinations in previous years included Guangzhou, Guilin, Fujian, Taining, Zhuhai, Shenzhen, etc. Furthermore, the Company is equipped with basketball court, badminton and table tennis for employees' leisure.

- As the frontline representatives of the enterprise, the staff possesses first-hand information about our business. We cherish the opinion of the staff and meet with them regularly so that the Group may improve its overall operating conditions.

COMMUNITY CARE

A harmonious and stable society goes hand in hand with the development of a favourable business environment. We will continue to communicate and cooperate with social organisations in order to serve the society and contribute to the development of an ideal community through the following means:

- As a committee member of the public security and welfare association of Longhu District, the Group will make donations to support the social works of the association and to recognise citizens' act of kindness and effort on combating crime. We will also develop the local facilities for security, safety and control.

- We will make donations to support "Poverty Relief Day" in Longhu District, Shantou, and take actions to spread the love for the disadvantaged in neighbouring communities.

- Prior to the listing of the Group, Ms. Chen Annie Ni, the spouse of the Chairman of the Group, had already established a foundation to make donations under the name of Xinda Packing to Jinfeng Symphony Orchestra which develops youth symphony talent in Shantou and promotes refined art. The art group aspires to enhance the quality of cultural arts among the youth in Shantou and the reputation of Shantou, with an aim of diversifying the cultural landscape of the city.

The directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 14 to the consolidated financial statements in this annual report.

RESULTS

The Group's profit for the year ended 31 March 2015 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 30 to 73.

DIVIDENDS

The Directors have recommended a final dividend of HK8.00 cents per Share (31 March 2014: HK7.00 cents) amounting to a total sum of approximately HK$27.14 million. Subject to the approval of the Company's Shareholders at the forthcoming annual general meeting. Details of the dividend for the year ended 31 March 2015 are set out in note 13 to the consolidated financial statements, the final dividend will be payable on or around 18 September 2015 to the Company's shareholders whose names appear on the register of the members of the Company on 4 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on 28 August 2015. The register of members of the Company will be closed from 26 August 2015 to 28 August 2015, both days inclusive, for the purpose of identifying shareholders who are entitled to attend the AGM, during which period no transfer of shares will be registered. In order to qualify for attending the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 25 August 2015.

The register of members of the Company will be closed from 7 September 2015 to 8 September 2015, both days inclusive, for the purpose of identifying Shareholders who are entitled to the final dividend, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong before 4:30 p.m. on 4 September 2015.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited financial statements in the annual report and the prospectus of the Company, is set out in page 74. This summary does not form part of the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

The Group did not have any borrowing as at 31 March 2015 and 2014.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2015 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

As at 31 March 2015, the Company's reserves available for distribution amounted to HK$159.22 million (31 March 2014: HK$108.47 million). Other movements in reserves are set out in the consolidated statement of changes in equity in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 88.38% of the total sales for the year and sales to the largest customer included therein amounted to approximately 57.72% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 53.69% of the total purchases for the year and purchase from the Group's largest supplier included therein amounted to approximately 15.43% of the total purchases for the year.

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

CONNECTED AND RELATED PARTY TRANSACTIONS

No transaction, which had constituted connected transaction that was subject to the reporting, announcement and independent shareholders approval requirement under Chapter 14A of the Listing Rules, was entered into by the Company during the reporting period.

Details of the material related party transactions for the financial year are set out in note 31 to the consolidated financial statements.

CHARITABLE DONATIONS

During the period under review, no charitable donation was made by the Group (31 March 2014: HK$1.00 million).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Zheng Andy Yi Sheng *(Chairman)*
Mr. Zheng Minsheng

Independent Non-executive Directors
Mr. Lau Kwok Hung
Mr. Ma Wenming
Mr. Fok Po Tin

Biographical details of the Directors are set out on pages 9 to 10 of this report.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Pursuant to Article 108(a) of the Articles of the Association of the Company, Mr. Lau Kwok Hung and Mr. Fok Po Tin shall retire at the forthcoming AGM and being eligible, offer themselves for reelection.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and hence are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date subject to the early termination provisions contained therein.

Each of the independent non-executive directors has signed an appointment letter with the Company for an initial term of three years commencing from the Listing Date subject to the early termination provisions contained therein.

DIRECTORS' INTEREST IN CONTRACTS

No Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The independent non-executive directors were delegated with the authority to review the non-competition undertakings (the "Non-competition Undertakings") given by SXD Limited ("SXD") and Mr. Zheng Andy Yi Sheng ("Mr. Zheng") in a deed of non-competition entered into by SXD and Mr. Zheng in favour of the Company, dated 14 November 2013. The independent non-executive Directors were not aware of any non-compliance of the Non-competition Undertaking given by SXD and Mr. Zheng for the year ended 31 March 2015 and up to the date of this annual report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and five individuals with highest emoluments are set out in note 8 to the consolidated financial statements respectively.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the Independent non-executive Directors confirmations of independence (including an annual confirmation from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules) and considers that all of the Independent non-executive Directors are independent of the Company.

RETIREMENT SCHEME

The Group participates in a state-managed retirement scheme operated by the PRC Government which covers the Group eligible employees in the PRC and operates a Mandatory Provident Fund under the Hong Kong Mandatory Provident Fund Schemes Ordinance for the employees under the jurisdiction of the Hong Kong Employment Ordnance.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES,UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2015, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

(a) *Long positions of Directors' interests in ordinary shares of the Company*

Name of Directors	Nature of interest	Number of ordinary shares held	Approximate percentage of the total issued shares
Mr. Zheng Andy Yi Sheng	Interest held by a controlled corporation	225,000,000	66.32%

(b) *Long positions of Directors' interests in underlying ordinary shares of the Company*

Name of Directors	Nature of interest	Number of options held*	Approximate percentage of the total issued shares
Mr. Zheng Minsheng	Beneficial owner	600,000	0.18%
Mr. Lau Kwok Hung	Beneficial owner	200,000	0.06%
Mr. Ma Wenming	Beneficial owner	200,000	0.06%
Mr. Fok Po Tin	Beneficial owner	200,000	0.06%

* Further details of the options are set out in the section headed "Share Option Scheme".

Save as disclosed above, as at 31 March 2015, none of the directors or chief executives of the Company and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 14 November 2013 for the purpose of providing incentives and rewards attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers ("Eligible Participants") of the Group and promoting the Success of the business of the Group and will remain on force for a period of ten years commencing on the adoption date and shall expire at 13 November 2023 subject to early termination provisions contained in the Scheme. The Board may grant options to Eligible Participants to subscribe for shares in the Company subject to the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders approval in advance in a general meeting.

Options granted must be taken up within 7 days inclusive of the day on which offer was made upon payment of HK$1 by the grantee. Options May be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the options; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (ii) the nominal value of a share of the Company on the date of grant.

During the year, a total of 30,000,000 options to subscribe for a total of 30,000,000 ordinary shares of HK$0.01 each of the Company were granted to the Directors, employees and consultants of the Company under the share option scheme adopted by the Company on 14 November 2013. The exercise price is HK$2.58. The validity period of the options is 5 years commencing from 15 January 2015 and expiring on 14 January 2020. Among the options granted above, 1,200,000 options were granted to the Directors to subscribe for a total of 1,200,000 shares of the Company. For details, please refer to the Company's announcement dated 15 January 2015.

Details of outstanding options over new shares of the Company at the beginning and at the end of the reporting period which have been granted under the Scheme are as follows:

Category of grantees	Outstanding at 1 April 2014	Number of options granted	Number of options exercised	Number of options lapsed	Outstanding at 31 March 2015
Directors					
Mr. Zheng Minsheng	–	600,000	–	–	600,000
Mr. Lau Kwok Hung	–	200,000	–	–	200,000
Mr. Ma Wenming	–	200,000	–	–	200,000
Mr. Fok Po Tin	–	200,000	–	–	200,000
Total — Directors	–	1,200,000	–	–	1,200,000
Employees	–	24,800,000	–	–	24,800,000
Consultants	–	4,000,000	–	–	4,000,000
Total	–	30,000,000	–	–	30,000,000

THE PLACING

On 18 August 2014, the Company entered into a placing agreement with Halcyon Securities Limited (the "Placing Agent"), whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 28,000,000 new shares of the Company (the "Placing Shares") to not less than six placees at a price of HK$1.70 per Placing Share (the "Placing"). The Placing was completed on 12 September 2014. For details, please refer to the announcements of the Company dated 18 August 2014 and 12 September 2014.

DISCLOSABLE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

At 31 March 2015, so far as it is known to the Directors, the persons (other than the Directors of the Company) with interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group were as follows:

Long positions:

Name of shareholders	*Notes*	Capacity and Nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
SXD Limited	*(i)*	Beneficially owned	225,000,000	66.32%
Mr. Zheng Andy Yi Sheng	*(i)*	Interest in a controlled corporation	225,000,000	66.32%
Ms. Chan Annie Ni	*(ii)*	Interest of spouse	225,000,000	66.32%

Notes:

(i) SXD Limited is wholly owned by Mr. Zheng Andy Yi Sheng. Therefore, Mr. Zheng is deemed, or taken to be, interest in all Shares held by SXD Limited for the purpose of SFO.

(ii) Ms. Chen Annie Ni is the spouse of Mr. Zheng Andy Yi Sheng. Accordingly, Ms. Chen is deemed, or taken to be, interest in all Shares held by SXD Limited for the purpose of SFO.

Save as disclosed above, as at 31 March 2015, no other person had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Section 336 of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and as far as the Directors are aware, the Company has maintained at least 25% of public float as at the latest practicable date prior to the issue of this annual report.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year except under the Code Provision A.2.1 and A.4.1. The full details of corporate governance practices adopted by the Company during the year ended 31 March 2015, or where applicable, up to the date of this report, are set out in pages 11 to 17 of this report.

AUDITOR

The financial statements for the year ended 31 March 2015 were audited by PricewaterhouseCoopers who retire and, being eligible, shall offer themselves for reappointment at the forthcoming annual general meeting.

On Behalf of the Board
Zheng Andy Yi Sheng
Chairman and Executive Director

Hong Kong, 19 June 2015

羅兵咸永道

TO THE SHAREHOLDERS OF HUAXI HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huaxi Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 73, which comprise the consolidated and company statements of financial position as at 31 March 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap.32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap.32).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 June 2015

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2015 HK$'000	2014 HK$'000
		Year ended 31 March	
Revenue	6	**298,066**	264,830
Cost of sales	7	**(186,154)**	(156,423)
Gross profit		**111,912**	108,407
Distribution costs	7	**(2,949)**	(2,749)
Administrative expenses	7	**(28,148)**	(36,787)
Other gains — net	9	**350**	502
Operating profit		**81,165**	69,373
Finance income	10	**5,283**	2,590
Profit before income tax		**86,448**	71,963
Income tax expense	11	**(16,112)**	(15,384)
Profit for the year		**70,336**	56,579
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Currency translation difference		**11**	2,879
Other comprehensive income for the year		**11**	2,879
Total comprehensive income for the year		**70,347**	59,458
Profit/(loss) attributable to:			
Owners of the Company		**70,667**	56,579
Non-controlling interests		**(331)**	–
		70,336	56,579
Total comprehensive income attributable to:			
Owners of the Company		**70,678**	59,458
Non-controlling interests		**(331)**	–
		70,347	59,458
Earnings per share			
— Basic and diluted	12	**HK21.63 cents**	HK21.59 cents
		HK$'000	HK$'000
Dividends	13	**40,710**	58,064

The notes on pages 36 to 73 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2015 HK$'000	31 March 2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**49,882**	46,784
Prepaid operating lease	*16*	**6,784**	6,944
Deferred tax assets	*17*	**1,083**	686
Prepayments for non-current assets	*18*	**13,142**	1,606
		70,891	56,020
Current assets			
Inventories	*19*	**33,075**	30,821
Trade receivables	*20*	**92,005**	81,589
Prepayments and other receivables	*21*	**14,005**	2,441
Restricted cash at banks	*22*	**52,088**	52,299
Bank deposits with maturity over three months	*23*	**42,674**	60,450
Cash and cash equivalents	*23*	**137,904**	53,226
		371,751	280,826
Total assets		**442,642**	336,846
EQUITY			
Equity attributable to owners of the Company			
Share capital	*24*	**3,393**	3,113
Other reserves	*25*	**202,698**	147,980
Retained earnings			
— Proposed final dividends	*13*	**27,140**	21,788
— Others		**82,851**	59,841
		316,082	232,722
Non-controlling interests		**7,711**	–
Total equity		**323,793**	232,722

	Note	31 March 2015 HK$'000	31 March 2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	4,388	2,161
Current liabilities			
Trade and notes payable	26	84,183	73,508
Other payables	27	20,587	18,456
Amounts due to related parties	31(c)	–	714
Current income tax liabilities		9,691	9,285
		114,461	101,963
Total liabilities		118,849	104,124
Total equity and liabilities		442,642	336,846
Net current assets		257,290	178,863
Total assets less current liabilities		328,181	234,883

The notes on pages 36 to 73 form an integral part of these consolidated financial statements.

The financial statements on pages 30 to 73 were approved by the Board of Directors on 19 June 2015 and were signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

STATEMENT OF FINANCIAL POSITION

	Note	31 March 2015 HK$'000	31 March 2014 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	**82,615**	65,632
Current assets			
Prepayments and other receivables		**157**	254
Amounts due from subsidiaries	14	**80,533**	38,600
Cash and cash equivalents	23	**309**	10,062
		80,999	48,916
Total assets		**163,614**	114,548
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**3,393**	3,113
Other reserves	25	**131,547**	83,846
Retained earnings	28		
— Proposed final dividends	13	**27,140**	21,788
— Others		**58**	2,426
		162,138	111,173
LIABILITIES			
Current liabilities			
Other payables		**1,091**	2,985
Amounts due to a subsidiary	14	**385**	390
		1,476	3,375
Total liabilities		**1,476**	3,375
Total equity and liabilities		**163,614**	114,548
Net current assets		**79,523**	45,541
Total assets less current liabilities		**162,138**	111,173

The notes on pages 36 to 73 form an integral part of these financial statements.

The financial statements on pages 30 to 73 were approved by the Board of Directors on 19 June 2015 and were signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 24)*	**Other reserves** HK$'000 *(Note 25)*	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
Year ended 31 March 2014						
Balance at 1 April 2013	–	54,830	94,994	149,824	–	149,824
Comprehensive income						
— Profit for the year	–	–	56,579	56,579	–	56,579
— Other comprehensive income	–	2,879	–	2,879	–	2,879
Total comprehensive income	–	2,879	56,579	59,458	–	59,458
Capitalisation issue	2,400	(2,400)	–	–	–	–
Shares issued pursuant to the initial public offering ("IPO") and over-allotment option	713	95,475	–	96,188	–	96,188
Share issuance expenses	–	(8,817)	–	(8,817)	–	(8,817)
Dividends	–	–	(63,931)	(63,931)	–	(63,931)
Transfer to statutory reserves	–	6,013	(6,013)	–	–	–
Balance at 31 March 2014	3,113	147,980	81,629	232,722	–	232,722
Year ended 31 March 2015						
Balance at 1 April 2014	**3,113**	**147,980**	**81,629**	**232,722**	**–**	**232,722**
Comprehensive income						
— Profit for the year	**–**	**–**	**70,667**	**70,667**	**(331)**	**70,336**
— Other comprehensive income	**–**	**11**	**–**	**11**	**–**	**11**
Total comprehensive income	**–**	**11**	**70,667**	**70,678**	**(331)**	**70,347**
Issuance of share *(Note 24(i))*	**280**	**47,320**	**–**	**47,600**	**–**	**47,600**
Share issuance expenses	**–**	**(644)**	**–**	**(644)**	**–**	**(644)**
Dividends	**–**	**–**	**(35,358)**	**(35,358)**	**–**	**(35,358)**
Value of employee services under share option scheme *(Note 25)*	**–**	**1,084**	**–**	**1,084**	**–**	**1,084**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**6,912**	**6,912**
Value of serves received from non-controlling interests	**–**	**–**	**–**	**–**	**1,130**	**1,130**
Transfer to statutory reserves	**–**	**6,947**	**(6,947)**	**–**	**–**	**–**
Balance at 31 March 2015	**3,393**	**202,698**	**109,991**	**316,082**	**7,711**	**323,793**

The notes on pages 36 to 73 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash generated from operations	*29*	**77,658**	48,954
PRC enterprise income tax paid		**(13,686)**	(14,022)
Net cash generated from operating activities		**63,972**	34,932
Cash flows from investing activities			
Purchases of property, plant and equipment		**(7,679)**	(6,710)
Prepayment for an intangible asset *(Note 18)*		**(12,625)**	–
Decrease/(increase) in restricted cash at banks		**211**	(2,489)
Decrease/(increase) in bank deposits with maturity over three months		**17,776**	(60,450)
Decrease in amounts due from a related party		**–**	13,195
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	660
Interest income from other financial assets		**1,401**	–
Interest income from bank deposits		**3,510**	2,424
Net cash generated from/(used in) investing activities		**2,594**	(53,370)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**47,600**	–
Costs paid in relation to issuance of ordinary shares		**(644)**	–
Proceeds from IPO and over-allotment		**–**	96,188
Professional expenses paid in connection with IPO		**–**	(8,285)
Decrease in amounts due to related parties		**(714)**	(1,425)
Contribution from non-controlling interests		**6,912**	–
Dividends paid	*13*	**(35,358)**	(63,931)
Net cash generated from financing activities		**17,796**	22,547
Net increase in cash and cash equivalents		**84,362**	4,109
Cash and cash equivalents at beginning of the year		**53,226**	46,596
Effect of change in exchange rate		**316**	2,521
Cash and cash equivalents at end of the year	*23*	**137,904**	53,226

The notes on pages 36 to 73 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Huaxi Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is at the Clifton House, P.O. Box 1350, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in manufacturing and sales of cigarette packing materials in the People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 December 2013.

These consolidated financial statements is presented in thousands of Hong Kong dollar ("HK$"), unless otherwise stated. These consolidated financial statements have been approved by the Board of Directors (the "Board") of the Company for issue on 19 June 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

(a) The following amendments to standards are mandatory for the first time for the year ended 31 March 2015. The Group has adopted these amendments to standards which are relevant to its operations.

Amendment to HKAS 32, "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) *(continued)*

Amendment to HKAS 10, 12 and HKAS 27, "Consolidation for investment entities" on the consolidation requirement on funds and similar entities. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make. The adoption of these amendments does not have any impact on the consolidated financial statements of the Group.

Amendments to HKAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The adoption of the amendments does not have an impact on the consolidated financial statements because the Group has no impairment of assets which is subject to the disclosures of HKAS 36 during the years presented.

Amendments from the 2010–2012 cycle of the annual improvements projects include amendment to HKFRS2, "Share-based payment". The amendment clarifies the definition of a vesting condition and separately defines performance condition and service condition. The amendment did not have a significant effect on the consolidated financial statements. The adoption of the amended standards did not have any material impact on the consolidated financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2014 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to HKAS19	Regarding defined benefit plans: employee contributions	1 July 2014
Annual improvements 2012	Changes from the 2010–2012 cycle of the annual improvements project	1 July 2014
Annual improvements 2013	Changes from the 2011–2013 cycle of the annual improvements project	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *(continued)*

		Effective for annual periods beginning on or after
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Management has preliminarily assessed the impact of the above new and amended standards and interpretation and considered that there will not be any substantial changes to the Group's significant accounting policies and presentation of the financial statements in the next year.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations, except for those carried out under common control which are accounted for using the principles of merger accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) *Business combinations (continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements is presented in HK$, which is the Group's and the Company's presentation currency. The functional currency of the group entities is Renminbi ("RMB").

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within "Other gains — net".

2.4.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.5 Prepaid operating lease

Prepaid operating lease is stated at cost less accumulated amortisation. Cost mainly represents consideration paid for the rights to use the land from the date the respective rights were granted. Amortisation of prepaid operating lease is calculated on a straight-line over the period of the rights of 50 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the periods in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Plant and buildings	3–20 years
• Machinery	5–10 years
• Office equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains — net" in consolidated statement of comprehensive income.

Assets under construction represent buildings under construction, and are stated at cost. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Intangible assets

Separately acquired patents are shown at historical cost. Patents have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of ten years.

2.8 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

2.9.1 Classification *(continued)*

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's loans and receivables comprise "Trade receivables", "Prepayments and other receivables", "Restricted cash at banks", "Bank deposits with maturity over three months" and "Cash and cash equivalents" in the consolidated statement of financial position.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the income statement within "Other gains — net" in the period in which they arise.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Impairment of financial assets *(continued)*

Assets carried at amortised cost *(continued)*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable distribution costs.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks. Bank deposits which are restricted to use are included in "Restricted cash at banks". Restricted cash at banks are excluded from cash and cash equivalents in the consolidated statements of cash flows.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.17.2 Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liability is provided on temporary differences arising on investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in a subsidiary, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

2.17.3 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2.19 Share-based payments

The Group operates a number of equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Share-based payments *(continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

Interest income

Interest income is recognised using the effective interest method.

2.21 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives received from the lessor) are recognised as income or expenses in consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholder or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the Board.

3.1.1 Market risk

(a) *Foreign exchange risk*

The Group's operates in the PRC with most transactions being settled in RMB, which is the functional currency of all of the group companies. Certain transactions are settled in HK$. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and liabilities are as follows:

	Group 31 March		Company 31 March	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Denominated in HK$				
– Cash and cash equivalents	**40,973**	35,679	**309**	10,062
– Bank deposits with maturity over three months	**42,674**	60,450	**–**	–
– Trade receivables	**961**	953	**–**	–
– Other receivables	**689**	489	**157**	–
– Other payables	**(1,131)**	(4,245)	**(1,091)**	(2,985)
	84,166	93,326	**(625)**	7,077
Denominated in US$				
– Cash and cash equivalents	**538**	334	**–**	–

As at 31 March 2015, if RMB had strengthened/depreciated by 2% against the relevant foreign currencies with all other variables held constant, post-tax profit for the year of the Group would have been HK$1,603,000 (2014: HK$1,809,000) lower/higher.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk *(continued)*

(b) *Cash flow and fair value interest rate risk*

Other than deposits held in banks which are interest bearing, the Group does not have other significant interest bearing assets and liabilities.

The annual interest rates of the Group's deposits held in banks throughout the year ranged from 0.35% to 3.79% (2014: 0.35% to 3.91%). As at 31 March 2015, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$967,000 (2014:HK$706,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

(c) *Price risk*

The Group is not exposed to significant commodity price risk. Also, the Group has not entered into any long term contracts with suppliers and the Group can usually pass on any material fluctuations in the raw materials prices to its customers.

3.1.2 Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, bank deposits with maturity over three months, restricted cash at banks, trade receivables and other receivables.

As at 31 March 2015, substantially all the Group's bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk (2014: same).

As at 31 March 2015, approximately 92.6% (2014: 92.2%) of the Group's trade receivables were due from the top five largest customers, while approximately 65.6% (2014: 68.7%) of the Group's trade receivables were due from the largest customer.

All of the Group's trade receivables and other receivables have no collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of each customer by taking into account its financial position, past experience and other factors. Credit limit are reviewed on periodic basis, and the finance department is responsible for such monitoring procedures. In determining whether provision for impairment of receivables is required, the Group takes into consideration the future cash flows, ageing status and the likelihood of collection. In this regards, the directors of the Company are satisfied that the risks are minimal and adequate provision, if any, has been made in the consolidated financial statements after assessing the collectability of individual debts. Further quantitative disclosures in respect of trade receivables and other receivables are set out in Note 20 and 21.

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and bank deposits with maturity over three months deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk *(continued)*

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Trade and notes payable and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant. The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 March 2015 HK$'000	31 March 2014 HK$'000
Less than one year:		
Trade and notes payable	**84,183**	73,508
Other payables	**6,919**	8,862
Amounts due to related parties	**–**	714
	91,102	83,084

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as borrowings less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the financial statements plus net borrowings.

No gearing ratio is presented as the Group has net cash surplus after borrowings as at 31 March 2015 (2014: same).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing these financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Income taxes and deferred taxation

The Group is primarily subject to income taxes in the PRC and Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.2 Estimated impairment of property, plant and equipment and prepayment for non-current assets

Property, plant and equipment and prepayment for non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4.3 Estimated impairment of inventories

The Group estimates the net realisable value of inventories. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Even if the Group has made stock provision for the expected impairment at its best estimate, there is a possibility that changes in market conditions will alter the result.

4.4 Estimated impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

For the year ended 31 March 2015, the Group is principally engaged in the manufacture and sales of packaging materials for cigarettes in the PRC (2014: same). Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the directors consider that there is only one segment being used to make strategic decisions.

For the year ended 31 March 2015, the major operating entity of the Group is domiciled in the PRC and accordingly, majority of the Group's revenue were derived in the PRC (2014: same).

As at 31 March 2015, majority of the Group's non-current assets were located in the PRC (2014: same).

6 REVENUE

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Sales of cigarette packaging products	**297,204**	263,762
Other products	**862**	1,068
	298,066	264,830

Except for the two customers below, no other customers individually accounted for more than 10% of the Group's revenue for the year ended 31 March 2015 (2014: same):

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Customer A	**57.7%**	57.8%
Customer B	**17.2%**	23.3%
	74.9%	81.1%

All of the Group's sales are carried out by its subsidiary in the PRC for the year ended 31 March 2015 (2014: same).

7 EXPENSES BY NATURE

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Cost of inventories sold	**173,826**	153,566
Staff costs (including directors' emoluments) *(Note 8)*	**18,319**	13,172
Depreciation *(Note 15)*	**5,721**	5,344
Utilities	**3,865**	3,442
Business tax and other taxes	**3,305**	2,021
Transportation expenses	**2,235**	2,180
Operating lease rentals in respect of rented premises	**1,328**	332
Auditors' remuneration	**1,320**	1,758
Office expenses	**952**	733
Legal and professional fees	**934**	424
Travelling expenses	**776**	713
Entertainment expenses	**678**	450
Amortisation of prepaid operating lease *(Note 16)*	**166**	168
Reversal of impairment of inventories *(Note 19)*	**(194)**	(283)
Expenses related to IPO	**–**	9,863
Donation	**–**	1,000
Other expenses	**4,020**	1,076
Total cost of sales, distribution costs and administrative expenses	**217,251**	195,959

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**16,123**	12,043
Contributions to pension plans	**1,112**	1,129
Value of employee services under share option scheme *(Note 25)*	**1,084**	–
	18,319	13,172

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31 March 2015 is set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits HK$'000	Value of employee services under share option scheme HK$'000	Total HK$'000
Mr. Zheng Andy Yi Sheng	**500**	**118**	**–**	**11**	**–**	**629**
Mr. Zheng Minsheng	**400**	**118**	**–**	**11**	**22**	**551**
Mr. Lau Kwok Hung	**102**	**–**	**–**	**–**	**7**	**109**
Mr. Ma Wenming	**102**	**–**	**–**	**–**	**7**	**109**
Mr. Fok Po Tin	**102**	**–**	**–**	**–**	**7**	**109**
	1,206	**236**	**–**	**22**	**43**	**1,507**

The remuneration of each director of the Company for the year ended 31 March 2014 is set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefits HK$'000	Total HK$'000
Mr. Zheng Andy Yi Sheng	125	115	–	12	252
Mr. Zheng Minsheng	100	115	–	12	227
Mr. Lau Kwok Hung	69	–	–	–	69
Mr. Ma Wenming	69	–	–	–	69
Mr. Fok Po Tin	69	–	–	–	69
	432	230	–	24	686

Mr. Zheng Andy Yi Sheng and Mr. Zheng Minsheng were appointed as executive directors of the Company on 29 April 2013 and 24 July 2013, respectively. Mr. Lau Kwok Hung, Mr. Ma Wenming and Mr. Fok Po Tin were appointed as independent non-executive directors of the Company on 24 July 2013. These five directors mentioned above were re-elected as directors of the Company on 22 August 2014.

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 2 directors (2014: 2), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals (2014: 3) during the year are as follows:

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**1,159**	532
Contributions to retirement schemes	**28**	16
Value of employee services under share option scheme	**54**	–
	1,241	548

The emoluments of these remaining individuals of the Group fell within the following bands:

	Year ended 31 March	
	2015	2014
Emolument bands		
– Nil to HK$1,000,000	**3**	3

During the year, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office (2014: same).

(c) Senior management's emoluments by band

The senior management's (excluding the directors and the five highest paid individuals) emoluments fell within the following bands:

	Year ended 31 March	
	2015	2014
Emolument bands		
– Nil to HK$1,000,000	**4**	4

9 OTHER GAINS — NET

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Foreign exchange gains	**350**	477
Gains on disposal of financial assets at fair value through profit or loss	**–**	25
	350	502

10 FINANCE INCOME

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Interest income from bank deposits	**3,882**	2,590
Interest income from other financial assets	**1,401**	–
	5,283	2,590

11 INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax was provided as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income from subsidiaries and interest income from banks in PRC, which is not subject to Hong Kong profits tax.

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008.

On 9 October 2014, the Group's subsidiary in the PRC was awarded High and New Technology Enterprise Certificate ("Certificate") which is effective for three years commencing on 1 January 2014. The applicable income tax rate is 15% for the year ended 31 March 2015 (2014: 15%).

According to the EIT Law and Implementation Rules, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and the Hong Kong.

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Current income tax		
– PRC corporate income tax	**14,282**	12,269
Deferred income tax		
– PRC corporate income tax	**(397)**	(74)
– Withholding income tax for profit to be distributed from the PRC	**2,227**	3,189
	16,112	15,384

No income tax charges relating to components of other comprehensive income existed for the year ended 31 March 2015 (2014: nil).

11 INCOME TAX EXPENSE *(continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit/loss of the consolidated entities as follows:

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Profit before income tax	**86,448**	71,963
Calculated at applicable corporate income tax rate	**12,967**	10,794
Effect of expenses not deductible for income tax	**918**	1,495
Income not subject to tax	**–**	(94)
	13,885	12,195
Withholding income tax for profit to be distributed from the subsidiary in the PRC	**2,227**	3,189
	16,112	15,384

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the year.

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Profit attributable to owners of the Company (HK$'000)	**70,667**	56,579
Weighted average numbers of ordinary shares in issue	**326,728,000**	262,104,000
Basic earnings per share	**HK21.63 cents**	HK21.59 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares being ordinary shares to be issued under the share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the share option scheme. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share option scheme.

For the year ended 31 March 2015, as the average market share price of the ordinary shares during the year was lower than the subscription price of the share options, diluted earnings per share is the same as basic earnings per share.

13 DIVIDENDS

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Interim dividends, paid *(Note (a))*	**13,570**	–
Proposed final dividends *(Note (b))*	**27,140**	21,788
Special dividends, paid	**–**	36,276
	40,710	58,064

(a) **Interim dividends, paid**

An interim dividend of HK4.00 cents per ordinary share, totalling approximately HK$13,570,000 were declared and paid during the year ended 31 March 2015.

(b) **Proposed final dividends**

A final dividend of HK8.00 cents per ordinary share in respect of the year ended 31 March 2015, totalling approximately HK$27,140,000, were proposed by the Board on 19 June 2015. Such final dividends are subject to approval by the shareholders at the upcoming annual general meeting. The accompanying financial statements have not reflected the declaration of such dividends.

14 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES — COMPANY

(a) **Investments in subsidiaries**

	31 March 2015 HK$'000	31 March 2014 HK$'000
Non-current portion		
Investment in s subsidiary at cost — unlisted shares	**390**	390
Amount due from a subsidiary	**82,225**	65,242
	82,615	65,632
Current portion		
Amounts due from subsidiaries	**80,533**	38,600
Amounts due to a subsidiary	**(385)**	(390)
	80,148	38,210

Investment in a subsidiary is stated at cost.

The amount due from a subsidiary included in non-current portion is unsecured, interest-free and not repayable in the foreseeable future.

The amounts due from/(to) subsidiaries under current portion are unsecured, interest-free and repayable on demand.

14 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES — COMPANY *(continued)*

(a) Investments in subsidiaries *(continued)*

Details of the principal subsidiaries of the Company at 31 March 2015 are set out below.

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest to the Company's shareholder	Principal activities
Directly held by the Company:				
Xinda Capital Limited	British Virgin Islands 21 May 2013	US$50,000	100%	Investment holding
Indirectly held by the Company:				
Xin Da (Hong Kong) Investment Trading Company Limited	Hong Kong 13 June 2013	HK$1	100%	Investment holding
Shantou Xinda Colour Printing & Packing Material Co. Ltd. *(a)*	PRC 14 May 1992	HK$35,000,000	100%	Design, printing and sale of cigarette packages
Huazhang Investments Company Limited	Hong Kong 12 November 2014	HK$100	51%	Investment holding
Huazhang Biotechnology (Shanghai) Co., Ltd *(b)*	PRC 17 December 2014	RMB13,000,000	51%	Biological technology research and related products trading
Heihe Huazhang Agricultural Science and Technology Development Co., Ltd *(c)*	PRC 14 January 2015	RMB10,000,000 *(d)*	51%	Agricultural science and technology related service

(a) Shantou Xinda Colour Printing & Packing Material Co. Ltd. is a wholly foreign owned enterprise established in the PRC to be operated for 30 years up to 13 May 2022.

(b) Huazhang Biotechnology (Shanghai) Co., Ltd is a wholly foreign owned enterprise established in the PRC to be operated for 30 years up to 16 December 2044.

(c) Heihe Huazhang Agricultural Science and Technology Development Co., Ltd is established in the PRC with an infinite operating period.

(d) The registered capital of Heihe Huazhang Agricultural Science and Technology Development Co., Ltd has not been paid up as at 31 March 2015.

14 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES — COMPANY *(continued)*

(b) Material non-controlling interests

The total non-controlling interest for the year ended 31 March 2015 is HK$7,711,000 (2014: nil), which is attributed to Huazhang Investments Company Limited and its subsidiaries, 51% subsidiaries of the Group.

(i) Significant restrictions

Cash of HK$3,636,000 (2014: nil) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital outside China, other than through normal dividends.

(ii) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Huazhang Investments Company Limited and its subsidiaries that have non-controlling interests that are material to the Group. There is no dividend paid to non-controlling interests. Besides the prepayment for an intangible asset amounted to HK$12,625,000 and cash contribution from non-controlling interests amounted to HK$6,912,000, no other significant cash flow activities of the subsidiaries existed during the year (2014: nil). The information below is the amount before inter-company eliminations.

Summarised balance sheet of Huazhang Investments Company Limited and its subsidiaries

	31 March 2015 HK$'000	31 March 2014 HK$'000
Non-current:		
Assets	12,690	–
Liabilities	–	–
Total non-current net assets	12,690	–
Current:		
Assets	3,919	–
Liabilities	(872)	–
Total current net assets	3,047	–
Net assets	15,737	–

Summarised income statement of Huazhang Investments Company Limited and its subsidiaries

	Year ended 31 March	
	2015 HK$'000	2014 HK$'000
Revenue	–	–
Profit before income tax	(675)	–
Post-tax profit from continuing operations	(675)	–
Other comprehensive income	–	–
Total comprehensive income	(675)	–
Total comprehensive income allocated to non-controlling interests	(331)	–

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK$'000	Machinery HK$'000	Office equipment HK$'000	Total HK$'000
At 1 April 2013				
Cost	32,555	39,281	1,658	73,494
Accumulated depreciation	(12,373)	(14,891)	(694)	(27,958)
Net book amount	20,182	24,390	964	45,536
Year ended 31 March 2014				
Opening net book amount	20,182	24,390	964	45,536
Exchange differences	370	445	17	832
Additions	5,154	18	588	5,760
Depreciation	(2,000)	(3,175)	(169)	(5,344)
Closing net book amount	23,706	21,678	1,400	46,784
At 31 March 2014				
Cost	38,304	40,016	2,276	80,596
Accumulated depreciation	(14,598)	(18,338)	(876)	(33,812)
Net book amount	23,706	21,678	1,400	46,784
Year ended 31 March 2015				
Opening net book amount	**23,706**	**21,678**	**1,400**	**46,784**
Exchange differences	**28**	**23**	**–**	**51**
Additions	**299**	**8,416**	**53**	**8,768**
Depreciation	**(1,725)**	**(3,637)**	**(359)**	**(5,721)**
Closing net book amount	**22,308**	**26,480**	**1,094**	**49,882**
At 31 March 2015				
Cost	**38,652**	**48,483**	**2,329**	**89,464**
Accumulated depreciation	**(16,344)**	**(22,003)**	**(1,235)**	**(39,582)**
Net book amount	**22,308**	**26,480**	**1,094**	**49,882**

As at 31 March 2015, all plant and buildings were located in the PRC (2014: same).

Depreciation of the property, plant and equipment has been charged to profit or loss as follows:

	Year ended 31 March	
	2015 HK$'000	2014 HK$'000
Cost of sales	**3,247**	3,293
Administrative expenses	**2,474**	2,051
Total	**5,721**	5,344

16 PREPAID OPERATING LEASE

The balance represented prepaid operating lease payments for land located in the PRC for a lease term of 50 years in the PRC. The movements are as follows:

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
At beginning of the year		
Cost	**8,541**	8,387
Accumulated amortisation	**(1,597)**	(1,404)
Net book amount	**6,944**	6,983
For the year		
Opening net book amount	**6,944**	6,983
Exchange differences	**6**	129
Amortisation charges	**(166)**	(168)
Closing net book amount	**6,784**	6,944
At end of the year		
Cost	**8,552**	8,541
Accumulated amortisation	**(1,768)**	(1,597)
Net book amount	**6,784**	6,944
Prepaid operating lease is outside Hong Kong, held on leases:		
— Between 10 to 50 years	**6,784**	6,944

Amortisation of the Group's prepaid operating lease has been charged to profit or loss as follows:

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Cost of sales	**31**	31
Administrative expenses	**135**	137
Total	**166**	168

17 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities (to be recovered after 12 months) is as follows:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Deferred income tax assets	1,083	686
Deferred tax liabilities	(4,388)	(2,161)
	(3,305)	(1,475)

The gross movements on the deferred income tax assets/(liabilities) are as follows:

	Year ended 31 March	
	2015 HK$'000	2014 HK$'000
At beginning of the year	(1,475)	(1,727)
Exchange differences	–	11
Tax charged to the consolidated income statement	(1,830)	(3,115)
Withholding tax paid	–	3,356
At end of the year	(3,305)	(1,475)

17 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on depreciation HK$'000	Temporary difference on accrual HK$'000	Temporary difference on inventory provision HK$'000	Total HK$'000
At 1 April 2013	374	113	114	601
Exchange differences	7	3	1	11
Tax credited/(charged) to the consolidated income statement	52	66	(44)	74
At 31 March 2014	433	182	71	686
Tax credited/(charged) to the consolidated income statement	84	342	(29)	397
At 31 March 2015	**517**	**524**	**42**	**1,083**

Deferred income tax liabilities

	Recognised for withholding tax in the PRC HK$'000
At 1 April 2013	2,328
Tax charged to the consolidated income statement	3,189
Withholding tax paid	(3,356)
At 31 March 2014	2,161
Tax charged to the consolidated income statement	2,227
At 31 March 2015	**4,388**

As at 31 March 2015, the Group had unrecognised deferred income tax liabilities of HK$4,215,000, that would otherwise be payable as withholding tax in respect of the undistributed profits of a PRC subsidiary (2014: HK$2,918,000). No provision has been made in respect of such withholding tax as the directors have confirmed that such profits will not be distributed out of the PRC in the foreseeable future. Unremitted earnings in this respect amounted to approximately HK$84,302,000 as at 31 March 2015 (2014: HK$58,351,000).

18 PREPAYMENTS FOR NON-CURRENT ASSETS

	31 March 2015 HK$'000	31 March 2014 HK$'000
Prepayment for an intangible asset *(Note (a))*	**12,625**	–
Prepayments for properties, plant and equipment	**517**	1,606
	13,142	1,606

(a) During the year, a subsidiary of the Group entered into an agreement with an independent third party ("the Vendor") to purchase the rights to use a series of technologies and patents relating to development of a high-resistant starch content product ("the Functional Food Business"). As at 31 March 2015, such technologies were still under development stage. As such, the consideration paid for such technologies amounting to RMB10,000,000 (equivalent to HK$12,625,000) was recognised as prepayments in the Group's consolidated statement of financial position.

19 INVENTORIES

	31 March 2015 HK$'000	31 March 2014 HK$'000
Raw materials	**21,640**	14,791
Finished goods	**11,716**	16,505
	33,356	31,296
Less: provision for impairment	**(281)**	(475)
	33,075	30,821

Movements in provision for impairment of inventories are as follows:

	Year ended 31 March	
	2015 HK$'000	2014 HK$'000
At beginning of the year	**475**	758
Reversal of impairment of inventories	**(194)**	(283)
At end of the year	**281**	475

20 TRADE RECEIVABLES

	31 March 2015 HK$'000	31 March 2014 HK$'000
Trade receivables	**92,005**	81,589

20 TRADE RECEIVABLES *(continued)*

(a) Ageing analysis of trade receivables at respective balance sheet dates is as follows:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Less than 30 days	**89,913**	76,886
31 days to 60 days	**1,653**	3,301
61 days to 90 days	**–**	750
91 days to 180 days	**252**	35
Over 180 days	**187**	617
	92,005	81,589

As at 31 March 2015, trade receivables of HK$439,000 (2014: HK$652,000) were past due but not impaired. These relate to two independent customers for whom there is no financial difficulty and the directors, based on past experience, consider that those amounts can be recovered.

(b) The carrying amounts of the Group's trade receivable are denominated in the following currencies:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Denominated in RMB	**91,044**	80,636
Denominated in HK$	**961**	953
	92,005	81,589

As at 31 March 2015, the Group's maximum exposure to credit risk was the carrying value of each class of trade receivables mentioned above. The Group does not hold any collateral as security (2014: same).

21 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2015 HK$'000	31 March 2014 HK$'000
Advance to suppliers	**60**	1,223
Other prepayments	**503**	561
Other receivables *(Note (b))*	**13,442**	657
	14,005	2,441

21 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(a) The carrying amounts of the Group's prepayments and other receivables are denominated in the following currencies:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Denominated in RMB	**13,316**	1,653
Denominated in HK$	**689**	788
	14,005	2,441

(b) Other receivables as at 31 March 2015 comprised, among others, bidding deposits amounting to RMB10,000,000 (2014: nil) paid to the Vendor (Note 18) which were settled subsequent to 31 March 2015 by the Vender.

(c) As at 31 March 2015, the Group's maximum exposure to credit risk was the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security (2014: nil).

22 RESTRICTED CASH AT BANKS

	31 March 2015 HK$'000	31 March 2014 HK$'000
Denominated in RMB	**52,088**	52,299

As at 31 March 2015, the Group placed cash deposits of approximately HK$52,088,000 (2014: HK$52,299,000) with designated banks as collateral for the Group's notes payable.

The effective interest rate on restricted cash at banks was 2.54% (2014: 3.06%) per annum. These deposits have an average maturity of 180 days (2014: 180 days).

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

23 BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

(a) Bank deposits with maturity over three months

As at 31 March 2015, the Group had bank deposits with maturity over three months and less than one year of HK$42,674,000 (2014: HK$60,450,000). The deposits were denominated in HK$ and bore average interest rate 2.88% (2014: 3.91%) per annum.

23 BANK DEPOSITS WITH MATURITY OVER THREE MONTHS AND CASH AND CASH EQUIVALENTS — GROUP AND COMPANY *(continued)*

(b) Cash and cash equivalents

	Group		Company	
	31 March 2015 HK$'000	31 March 2014 HK$'000	**31 March 2015 HK$'000**	31 March 2014 HK$'000
Cash at bank and on hand	**137,904**	28,226	**309**	10,062
Short-term bank deposit	**–**	25,000	**–**	–
	137,904	53,226	**309**	10,062

Cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	31 March 2015 HK$'000	31 March 2014 HK$'000	**31 March 2015 HK$'000**	31 March 2014 HK$'000
Denominated in RMB	**96,393**	17,213	**–**	–
Denominated in HK$	**40,973**	35,679	**309**	10,062
Denominated in US$	**538**	334	**–**	–
	137,904	53,226	**309**	10,062

The Group's cash and bank balances of HK$96,393,000 (2014: HK$17,213,000) denominated in RMB were deposited with banks in the PRC. The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

24 SHARE CAPITAL — GROUP AND COMPANY

Authorised share capital	**Number of ordinary shares**	**HK$**
At 29 April 2013 (date of incorporation) *(Note (i))*	38,000,000	380,000
Increase in authorised share capital *(Note (ii))*	1,962,000,000	19,620,000
At 1 April 2014 and 31 March 2015	2,000,000,000	20,000,000

24 SHARE CAPITAL — GROUP AND COMPANY *(continued)*

Issued share capital	Number of issued shares	Share capital
		HK$
At 1 April 2013	–	–
Issuance of ordinary share *(Note (i))*	1	0.01
Capitalisation of shares *(Note (iii))*	239,999,999	2,399,999.99
Issuance of new shares pursuant to the share offer *(Note (iv))*	60,000,000	600,000
Issuance of the over-allotment shares by the Company *(Note (v))*	11,250,000	112,500
At 31 March 2014	311,250,000	3,112,500
At 1 April 2014	311,250,000	3,112,500
Issuance of ordinary shares *(Note (vi))*	28,000,000	280,000
At 31 March 2015	339,250,000	3,392,500

(i) The Company was incorporated in the Cayman Islands on 29 April 2013 with an authorised share capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, 1 nil-paid share was issued to SXD Limited, a company owned and controlled by Mr. Zheng Andy Yi Sheng, director and controlling shareholder of the Company.

(ii) Pursuant to the shareholders' resolutions passed on 14 November 2013, the Company's authorised share capital was increased to HK$20,000,000 by creation of additional 1,962,000,000 ordinary shares of HK$0.01 each, ranking pari passu in all respect with the existing shares of the Company.

(iii) Pursuant to the shareholders' resolutions passed on 14 November 2013, an aggregate of 239,999,999 shares of HK$0.01 each would be issued, credited as fully paid at par, by way of capitalisation of the sum of HK$2,399,999.99 from the share premium account, to the then existing shareholder of the Company. On 6 December 2013, 239,999,999 shares were fully paid up.

(iv) In connection with the IPO of the shares of the Company, 60,000,000 shares of HK$0.01 each were issued at a price of HK$1.35 per share for a total cash consideration, before share issuance expenses, of HK$81,000,000 on 6 December 2013.

(v) On 27 December 2013, the Company issued an additional 11,250,000 shares of HK$0.01 each at HK$1.35 per shares, pursuant to an over-allotment option granted to the Company's underwriter of its IPO. Total cash consideration before share issuance expenses amounted to HK$15,188,000.

(vi) On 12 September 2014, the Company issued 28,000,000 ordinary shares of HK$0.01 each at HK$1.70 per share. Total proceeds from issuance of such new shares before issuance expenses amounted to HK$47,600,000.

25 OTHER RESERVES — GROUP AND COMPANY

The Group

	Share premium HK$'000	Statutory reserves HK$'000 (Note (a))	Exchange reserves HK$'000	Capital reserves HK$'000 (Note (b))	Share-based compensation reserves HK$'000 (Note (c))	Other reserves HK$'000	Total HK$'000
Year ended 31 March 2014							
Balance at 1 April 2013	–	8,307	11,249	35,000	–	274	54,830
Capitalisation issue *(Note 24(iii))*	(2,400)	–	–	–	–	–	(2,400)
Shares issued pursuant to the IPO and over-allotment option *(Note 24(iv) and (v))*	95,475	–	–	–	–	–	95,475
Share issuance expenses	(8,817)	–	–	–	–	–	(8,817)
Transfer to statutory reserves	–	6,013	–	–	–	–	6,013
Currency translation differences	–	–	2,879	–	–	–	2,879
Balance at 31 March 2014	84,258	14,320	14,128	35,000	–	274	147,980
Year ended 31 March 2015							
Balance at 1 April 2014	84,258	14,320	14,128	35,000	–	274	147,980
Issuance of ordinary shares	47,320	–	–	–	–	–	47,320
Share issuance expenses	(644)	–	–	–	–	–	(644)
Value of employee services under Share Option Scheme	–	–	–	–	1,084	–	1,084
Transfer to statutory reserves	–	6,947	–	–	–	–	6,947
Currency translation differences	–	–	11	–	–	–	11
Balance at 31 March 2015	130,934	21,267	14,139	35,000	1,084	274	202,698

The Company

	Share premium HK$'000	Exchange reserves HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
Year ended 31 March 2014				
Balance at 29 April 2013 (date of incorporation)	–	–	–	–
Capitalisation issue *(Note 24(iii))*	(2,400)	–	–	(2,400)
Shares issued pursuant to the IPO and over-allotment option *(Note 24(iv) and (v))*	95,475	–	–	95,475
Share issuance expenses	(8,817)	–	–	(8,817)
Currency translation differences	–	(412)	–	(412)
Balance at 31 March 2014	84,258	(412)	–	83,846
Year ended 31 March 2015				
Balance at 1 April 2014	84,258	(412)	–	83,846
Issuance of ordinary shares	47,320	–	–	47,320
Share issuance expenses	(644)	–	–	(644)
Value of employee services under Share Option Scheme	–	–	1,084	1,084
Currency translation differences	–	(59)	–	(59)
Balance at 31 March 2015	130,934	(471)	1,084	131,547

25 OTHER RESERVES — GROUP AND COMPANY *(continued)*

(a) Statutory reserves

In accordance with relevant rules and regulations in the PRC, all the PRC companies that operated exclusively with foreign capitals are required to transfer an amount of not less than 10% of profit after taxation calculated under PRC accounting standards and regulations to the reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC companies. The enterprise expansion fund can only be used to increase capital of the respective companies or to expand their production operations upon approval by the relevant authority.

(b) Capital reserve

The Group's capital reserve represents deemed contribution by the controlling shareholder Mr. Zheng Andy Yi Sheng to a subsidiary of the Group.

(c) Share-based compensation reserves

On 15 January 2015, the Company granted share options to the certain directors, employees and consultants of the Group under a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, the option holders are entitled to acquire aggregate of 30,000,000 ordinary shares of the Company at an exercise price of HK$2.58 each. All the options under the Share Option Scheme will not be exercisable within the first 12 months after the grant date as of 15 January 2015.

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at 31 March	
			2015	2014
1 year from 15 January 2015	15 January 2016	HK$2.58	**7,500,000**	–
2 years from 15 January 2015	15 January 2017	HK$2.58	**7,500,000**	–
3 years from 15 January 2015	15 January 2018	HK$2.58	**7,500,000**	–
4 years from 15 January 2015	15 January 2019	HK$2.58	**7,500,000**	–
			30,000,000	–

Movement in the number of share options outstanding is as follows:

	Year ended 31 March	
	2015	2014
At 1 April	**–**	–
Granted	**30,000,000**	–
At 31 March	**30,000,000**	–

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of options granted was HK$0.33 per option, which was determined using the Binomial Option Pricing Model by an independent valuer. The significant inputs into the model were share price of HK$2.55 at the grant date, exercise price shown above, expected volatility of 27.15%, expected dividend yield of 6.29%, an expected option life of five years, and an annual risk-free interest rate of 1.1% per year. See Note 8 for the expense recognised in the year ended 31 March 2015 in the income statement for share options granted to directors and employees.

26 TRADE AND NOTES PAYABLE

	31 March 2015 HK$'000	31 March 2014 HK$'000
Trade payables *(Note (a))*	**31,416**	20,927
Notes payable — bank acceptance notes	**52,767**	52,581
	84,183	73,508

(a) The ageing analysis of trade payables of the Group is as follows:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Within 90 days	**30,001**	20,172
90 to 180 days	**501**	600
Over 180 days	**914**	155
	31,416	20,927

(b) The Group's trade payables were interest-free and denominated in RMB.

27 OTHER PAYABLES

	31 March 2015 HK$'000	31 March 2014 HK$'000
Accrual for staff costs and allowances	**3,258**	3,100
Other tax payables	**13,668**	9,594
Other accruals	**3,661**	5,762
	20,587	18,456

The carrying amounts of the Group's other payables are denominated in the following currencies:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Denominated in RMB	**19,456**	14,211
Denominated in HK$	**1,131**	4,245
	20,587	18,456

The fair value of these balance approximate their carrying amounts at 31 March 2015 (2014: same).

28 RETAINED EARNINGS OF THE COMPANY

	Year ended 31 March	
	2015	2014
At 1 April/date of corporation	**24,214**	–
Profit for the year	**38,342**	60,490
Dividends	**(35,358)**	(36,276)
As at 31 March	**27,198**	24,214

29 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to net cash generated from operations.

	Year ended 31 March	
	2015	2014
	HK$'000	HK$'000
Profit before income tax	**86,448**	71,963
Adjustments for:		
— Depreciation	**5,721**	5,344
— Reversal of impairment of inventories	**(194)**	(283)
— Amortisation	**166**	168
— Other gains	**(350)**	(502)
— Finance income	**(5,283)**	(2,590)
— Value of services received from non-controlling interest	**1,130**	–
— Value of employee services under share option scheme	**1,084**	–
Changes in working capital:		
— Inventories	**(2,060)**	2,926
— Trade receivables	**(10,416)**	(16,101)
— Prepayments and other receivables	**(11,394)**	(1,400)
— Trade and notes payable	**10,675**	(17,625)
— Other payables	**2,131**	7,054
Cash generated from operations	**77,658**	48,954

30 COMMITMENTS

(a) Capital commitments

As at 31 March 2015 and 31 March 2014, the Group had the following capital commitments:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Capital expenditure in respect of the acquisition of machinery contracted for but not provided	674	3,689

(b) Operating lease commitments

At 31 March 2015 and 2014, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	31 March 2015 HK$'000	31 March 2014 HK$'000
Not later than one year	843	1,264
Later than one year and not later than two years	–	843
	843	2,107

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name	Relationship
Mr. Zheng Andy Yi Sheng	Controlling Shareholder
Mr. Zheng Minsheng	Executive director and the deputy general manager of the Group and the younger brother of Mr. Zheng Andy Yi Sheng

(b) Key management compensations

Key management compensations for the years ended 31 March 2014 and 2015 were set out below.

	Year ended 31 March 2015 HK$'000	2014 HK$'000
Salaries, wages, bonuses, welfare and other benefits	2,676	1,298
Contributions to pension plans	71	54
Value of employee services under Share Option Scheme	137	–
	2,884	1,352

31 RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

	31 March 2015 HK$'000	31 March 2014 HK$'000
Amounts due to related parties		
— Mr. Zheng Andy Yi Sheng	**–**	714
Other payables *(Note(i))*:		
— Mr. Zheng Andy Yi Sheng	**625**	125
— Mr. Zheng Minsheng	**100**	100
	725	225

(i) Other payables are directors' fees to be paid.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2015 **HK$'000**	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenue	**298,066**	264,830	278,983	265,821	212.143
Operating profit	**81,165**	69,373	53,982	33.392	12/082
Finance income	**5,283**	2,590	2,280	1,613	375
Profit before income tax	**86,448**	71,963	56,262	35,005	12,457
Income tax expense	**(16,112)**	(15,384)	(11,524)	(5,317)	(2,833)
Profit for the year	**70,336**	56,579	44,738	29,688	9,624
Attributable to					
Owner of the Company	**70,667**	56,579	44,738	29,688	9,624
Non-controlling interests	**(331)**	–	–	–	–
Profit for the year attributable to owners of the Company	**70,336**	56,579	44,738	29,688	9,624
Assets, Liabilities and Non-controlling Interests					
Total assets	**442,642**	336,846	263,183	215,792	209,029
Total liabilities	**(118,849)**	(104,124)	(113,359)	(111,191)	(137,497)
Non-controlling interests	**(7,711)**	–	–	–	–
Total equity attributable to owners of the Company	**316,082**	232,722	149,824	104,601	71,532