HUAXI HOLDINGS COMPANY LIMITED
華禧控股有限公司

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

ANNUAL REPORT
2017

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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.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 4 Wanji North Street
Wanji Industrial District
Shantou City, Guangdong Province
People's Republic of China

REGISTERED OFFICE

Clifton House, 75 Fort Street
P. O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
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

PRINCIPAL BANKERS

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

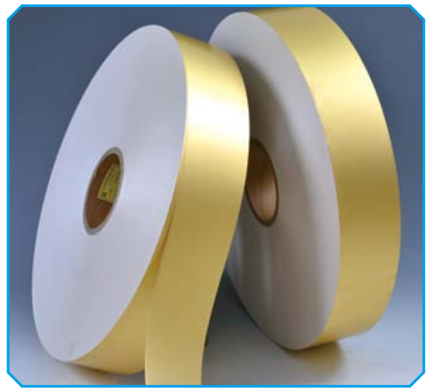
WEBSITE

http://www.huaxihds.com.hk

STOCK CODE

01689

Dear shareholders,



In 2016, the tobacco industry in China remained weak and outlook cloudy. Many domestic tobacco manufacturers were under pressure to reduce their of inventory. Like most of our peers of cigarette packaging business, Huaxi Holdings Company Limited (the "**Company**") was facing challenges such as decreased sales orders, pricing pressure, raw material and labour cost hikes. The Company was well prepared to face such operating challenges, by innovating on production techniques and strengthening quality control on our products to reduce raw materials wastage and defective products outputs. The Company diversified our business in environmental treatment, was therefore, successful in overcoming the negative exogenous impacts brought by the tobacco industry and able to edge on increase in our performance.

In the coming year, the Company shall continue to operate under the guiding philosophy of "Opening new streams and plugging existing leaks"; diligently research and develop new products to explore the cigarette packaging market and enlarge the contribution from our core business.

OPPORTUNITIES

According to the "Water Pollution Control Action Plan" published by the Central Government of China, a mandate is established that by 2020, most river systems need to have undergone ecological rehabilitation. Time is of the essence and this provides the Company with valuable opportunities to participate in further government-sponsored environmental treatment projects. During the past 12 months, the Company participated in the first environmental rehabilitation project in Lianjiang River Basin of Guangdong Province with satisfactory outcome. Experts and officials from central and local governmental bureaus visited the sites and embraced the results with their appreciations. Our research and development team and engineering team who are specialised in environmental treatment area are going to build up a technologic platform on which we will develop technologies to apply to projects in the future, with the strong support of domestic leading research institutions. Our brand of quality and reliability contends to be the bellwether in the water environmental treatment industry.

Lianjiang treatment project had brought new revenue stream for the Company. The construction period of this project has been concluded. After checking and acceptance, the project will be entered into maintenance period. In the next few years, the Company stands in position of strength to win tender to similar environmental treatment projects, venturing into new space for growth.

Lastly, as chairman, I express my gratitude to all the shareholders and project stakeholders for the trust and support they have bestowed upon the Company, and I thank all company employees for their dedication, sacrifices, and professionalism.

Zheng Andy Yi Sheng
Chairman

BUSINESS AND OPERATIONS REVIEW

Due to the stronger restrictions on smoking and further anti-smoking measures in the People's Republic of China (the "PRC"), sales of cigarette in 2016 recorded a total of 47.01 million cases, a decrease of 5.6% compared with 2015. During the year under review, sales of cigarette packaging materials was still the core business which contributed more than 88.1% (2016: 98.9%) to the Group's revenue. We had also diversified our business into environmental treatment business and biotechnology products. The total turnover of the Company and its subsidiaries (together the "Group") was approximately HK$260.26 million (2016: HK$252.37 million). Revenue from sales of cigarette packaging materials business ("Cigarette Packaging Business") was approximately HK$229.35 million (2016: HK$249.55 million), which was decreased by approximately 8.1% compared with last financial year. Revenue from environmental treatment business ("Environmental Treatment Business") and sales of biotechnology business ("Biotechnology Business") contributed approximately HK$29.31 million (2016: HK$2.43 million) and HK$1.60 million (2016: HK$0.39 million) respectively.

Cigarette Packaging Business

The following table sets forth the breakdown of the Group's revenue from sales of Cigarette Packaging Business for the financial year ended 31 March 2017 ("**FY2017**") and 31 March 2016 ("**FY2016**").

	FY2017		FY2016	
	HK$'000	**%**	HK$'000	%
Inner frame paper	**123,671**	**53.9**	127,016	50.9
Cigarette box frame paper	**34.782**	**15.2**	41,962	16.8
Tipping paper	**58,175**	**25.3**	57,709	23.1
Cigarette trademark label	**8,439**	**3.7**	7,234	2.9
Cigarette paper box	**1,646**	**0.7**	3,308	1.3
Transfer printing cardboard and transfer art paper	**2,580**	**1.1**	11,915	4.8
Others	**121**	**0.1**	405	0.2
Total	**229,352**	**100.0**	249,549	100.0

Environmental Treatment Business

During the year under review, the Group achieved the requirement stated in the contract with Chaonan District People's Government ("**Chaonan Government**") in Shantou to improve the water quality and environment in the basin from Dong Tang to Tao Chen Sha Xi (with a length of approximately 3.5 kilometers) of the Xia Shan Da Xi (a branch of Lianjiang River), including the construction of dams and water gates, the enhancement of wastewater pretreatment, the desludging of subaquatic slush, the plant denitrification and dephosphorisation and the deep purification engineering. The eco-rehabilitation project had been recognised by the specialists appointed by the Chaonan Government. Revenue from Environmental Treatment Business contributed approximately HK$29.31 million (2016: HK$2.43 million) to the Group.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group in the year under review was approximately HK$94.49 million (2016: HK$94.21 million), increased slightly by approximately HK$0.28 million compared with last financial year. The overall gross profit margin was 36.3% which was decreased by 1.0 percentage points compared with last financial year from 37.3%. Gross profit margin for Cigarette Packaging Business increased from 37.7% in FY2016 to 39.9% in FY2017. Decrease in gross profit margin of the Group was due to low gross profit margin (at 12.6%) from Environmental Treatment Business and gross loss margin (at –51.1%) from sales of Biotechnology Business.

Distribution expenses

During the year under review, distribution expenses of the Group was amounted to approximately HK$2.62 million which was slightly increased by approximately HK$0.02 million as compared with FY2016.

Administrative Expenses

The Group's administrative expenses in FY2017 was approximately HK$39.54 million which was increased by approximately HK$7.22 million as compared with HK$32.32 million in FY2016. Increase of administrative expenses was resulted from a provision of the impairment of the patent and technologies in related to the development of high-resistant starch products for approximately HK$11.26 million and offset by decrease in other administrative expenses relating to the Biotechnology Business.

Taxation

Income tax expense of the Group increased by HK$2.88 million, from approximately HK$12.23 million in the FY2016 to HK$15.11 million in the FY2017. Increase in income tax expense was due to increase in: (i) the profit before income tax; (ii) tax losses for which no deferred income tax asset was recognised; and (iii) the withholding income tax for profit to be distributed from the subsidiaries in the PRC for the year.

Profit Attribution to Owners of the Company

The Profit attributable to owners of the Company increased by HK$3.12 million, from approximately HK$45.08 million in the FY2016 to HK$48.20 million in the FY2017.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2017 and 2016, the listed securities held were as follows:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Equity securities listed in Hong Kong stock market	**19,458**	24,431
Equity securities listed in Shenzhen stock market	**9,394**	13,618
Total	**28,852**	38,049

The fair values of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges. The negative political and economic conditions in Hong Kong and the poor performance of the PRC stock market led to a negative change in the value of the financial assets at fair value through profit or loss of the Group. During the year under review, the total loss provision on the listed securities recorded approximately HK$4.09 million (FY2016: HK$4.64 million). As at 31 March 2017 equity securities listed in Hong Kong stock market included 5,250,000 ordinary shares CNG Power (01816) (FY2016: same), the value of which was at HK$12.60 million (FY2016: HK$13.81 million). The management of the Company expects the share price and the return of CNG Power will be stable and will gradually increase while the PRC government's policy towards low-carbon energy development and the construction work of the main body of Hinkley Point C project in the UK has been commenced.

Capital Structure, Liquidity and Financial Resources

As at 31 March 2017, the Group's total cash and cash balances amounted to approximately HK$162.33 million (2016: HK$179.82 million) including restricted cash of HK$45.82 million (2016: HK$39.19 million) and cash and cash equivalent HK$116.51 million (2016: HK$140.63 million).

In the FY2017, the Group's net cash generated from operating activities and investing activities amounted to approximately HK$21.61 million (2016: HK$44.49 million) and HK$1.39 million (2016: HK$6.89 million) respectively and net cash used in financing activities amounted to HK$35.93 million (2016: HK$38.71 million). The Group primarily uses cash inflow of operating activities and banking facilities to satisfy the requirement of working capital.

FINAL DIVIDEND

The Board has recommended to declare a final dividend of HK6.00 cents per ordinary share for the year ended 31 March 2017 (the "**Final Dividend**") (31 March 2016: HK6.00 cents). 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 2016. The proposed 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 will to be paid on or around 28 September 2017 to the Shareholders whose names appear on the Register of Members of the Company on 19 September 2017.

FUTURE OUTLOOK AND PROSPECTS

The PRC's economic growth is expected at 6.5% in 2017 and the tobacco market is likely to become stable in the coming year. As one of the established market players with proven track record in the cigarette packaging materials business, we will continue to invest in research and development to enhance our product mix and also improve the quality of our products. We will strive to build on and grow our business relations with existing customers and explore potential customers so as to expand our market share.

Looking forward, the Group will continue our existing businesses and put more focus on locating other business opportunities with enormous potentials, such as environmental treatment business. We will also actively explore development opportunities to expand our existing business presence and diversify our business and income sources so as to generate higher returns for the Shareholders.

Exposure to Fluctuations in Exchange Rate

The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, financial assets at fair value through profit or loss, other receivables and other payables maintained in Hong Kong Dollar. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

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

Capital Expenditure

In the FY2017, the Group's total capital expenditure amounted to approximately HK$3.95 million (FY2016: HK$1.74 million), which was used in the acquisition of property, plant and equipment.

Charge on Assets

As at 31 March 2017, the Group placed cash deposits of approximately HK$45.82 million with designated banks as collateral for Group's notes payable (2016: HK$39.19 million).

Contingent Liability

The Group has no contingent liabilities as at 31 March 2017 (2016: Nil).

Capital Commitments

As at 31 March 2017, the Group had capital commitments for the amount of approximately HK$0.06 million (2016: HK$2.16 million) for acquisition of equipment.

Human Resources

As at 31 March 2017, the Group employed a total of 271 (2016: 302) permanent employees in PRC and Hong Kong. Total employee remuneration (including directors' emoluments) in FY2017 amounted to HK$24.96 million (FY2016: HK$27.08 million). The Group provides our 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHENG Andy Yi Sheng, aged 56, 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 Shantou Xinda Packing Colour Printing & Packing Material Company Limited ("**Xinda Packing**") and became our 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. Zherng Minsheng, an executive director of the Company.

Mr. ZHENG Minsheng, aged 53, 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 Yisheng, the chairman of the Board, an executive director and Chief Executive Officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kwok Hung, aged 70, 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. Mr. Lau has been an executive director of Neptune Group Limited (formerly known as Mandarin Resources Corporation Limited and subsequently Massive Resources International Corporation Limited), (stock code: 00070) during the period between October 2001 and November 2012.

Mr. MA Wenming, aged 74, 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 STMA. 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 57, 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 21 years of experience in the legal profession and 9 year experience in the position of independent non-executive director of listed company.

SENIOR MANAGEMENT

Mr. HUANG Bongde, aged 54, joined the Group in December 2013, as the general manager of the Group. Mr. Huang holds a degree in Bachelor of Business Administration from University of Management & Technology (Virginia) and Executive Master of Business Administration (EMBA) from Sun Yat-sen University, Guangzhou. He has over twenty years in business management experience in several various well-known hotel management groups companies in the PRC.

Mr. LI Zhiyong, aged 55, is the deputy general manager of Shantou Xinda Colour Printing And Packing Material Company Limited ("**Shantou Xinda**"). 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.

Mr. LI Cancheng, aged 36, joined the Group in August 2006. He is the factory manager of Shantou Xinda. He is responsible for tipping paper processing, printing and packaging manufactory. Mr. Li has been a drawing designer in Shantou Zhaohua Electric Company Limited during the period between 1999 and 2006. Mr. Li completed a course in economic management in South China University of Technology in July 2005. Mr. Li has been awarded the qualification of intermediate economist in human resources by Ministry of Human Resources and Social Security of the People's Republic of China in January 2010.

Mr. TANG Jinhai, aged 43, joined the Group in July 2013 as the financial controller of Shantou Xinda. Mr. Tang was graduated from Huazhong Polytechnic University (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. YU Wing Cheung, aged 59, 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. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 20 years of experience in accounting and financial management for various listed companies in Hong Kong and Singapore.

DIRECTORS' REPORT

The directors present their annual report together with the audited consolidated financial statements of Huaxi Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 March 2017 and the financial position of the Group as at 31 March 2017 are set out in the consolidated financial statements on pages 34 to 89 of this annual report.

DIVIDENDS

The Directors have recommended a final dividend of HK6.00 cents (2016: HK6.00 cents) per Share amounting to a total sum of approximately HK$20,355,000 (2016: approximately HK$20,355,000), which is 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 2017 are set out in note 13 to the consolidated financial statements, the final dividend will be payable on or around 28 September 2017 to the Shareholders whose names appear on the Register of the Members of the Company on 19 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Tuesday, 22 August 2017 (the "**AGM**"). To ascertain Shareholders' eligibility to attend and vote at the AGM, the Register of Members of the Company will be closed from 17 August 2017 to 22 August 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, 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 16 August 2017.

The Register of Members of the Company will be closed from Monday, 18 September 2017 to Tuesday, 19 September 2017 (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 Friday, 15 September 2017.

BUSINESS REVIEW

A further discussion and analysis of the business review of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 5 to 7 of this annual report. This discussion form part of this directors' report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 90 of this annual report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

BORROWINGS

The Group did not have any borrowing as at 31 March 2017 and 2016.

SUBSIDIARIES

The details of the Company's principal subsidiaries as at 31 March 2017 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

The details of movements in the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which oblige the Company to offer new shares on a prorate basis to existing shareholders.

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 2017, the reserves of the Company available for distribution were approximately HK$141.66 million (2016: approximately HK$148.48 million). The details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 37 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 95% (2016: 91%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 57% (2016: 52%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 49% (2016: 54%) of the total purchases for the year and purchase from the Group's largest supplier included therein amounted to approximately 16% (2016:18%) 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

Material related party transactions entered into by the Group during the year ended 31 March 2017, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") are disclosed in the note 32 to the consolidated financial statements.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 March 2017 and up to the date of this annual report.

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

Pursuant to Article 108(a) of the Articles of the Association of the Company, one-third of the existing Directors shall retire from office, at the forthcoming AGM. Mr. Zheng Andy Yi Sheng and Mr. Lau Kwok Hung shall retire at the forthcoming AGM and, being eligible, offer themselves for reelection.

Biographical details of the Directors of the Company of the Group are set out on pages 8 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the 6 December 2016 subject to the early termination provisions contained therein.

Each of our independent non-executive Directors has signed an appointment letter with our Company for an initial term of three years commencing from 6 December 2016 subject to the early termination provisions contained therein.

DIRECTORS' INTEREST IN CONTRACTS

No director had a significant beneficial interest, whether directly or indirectly, in any contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

The Controlling Shareholders (as defined in the Listing Rules) of the Company, namely, SXD Limited, Mr. Zheng Andy Yi Sheng entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of the Company dated 14 November 2013 pursuant to which the Controlling Shareholders have undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he or she would not, and would procure that its or his or her associates (other than any member of our Group) would not, directly or indirectly, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the current businesses of the Group during the restricted period.

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition by the Controlling Shareholders and confirmed that the Deed of Non-competition is fully complied with and duly enforced since 6 December 2013 and up to the date of this 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.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence to Rules 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

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 2017, the interests and short positions of the Directors and chief executives of the Company 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 ("**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 of Hong Kong Limited (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 Director	Nature of interest	Number of ordinary shares held	Approximate percentage of the total issued share capital
Mr. Zheng Andy Yi Sheng	Interest held by a controlled corporation	225,000,000	66.32%

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

Name of Directors	Nature of interest	Number of shares options held*	Approximate percentage of the total issued share capital
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 share options are set out in the section headed "Share Option Scheme"

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executives of the Company and their associates had any personal, family, corporate or other interests 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 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 Securities Transaction by Directors of Listed Issuers (the "**Model Code**").

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 or 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 (iii) the nominal value of a share of the Company on the date of grant.

Set out below are the outstanding share options under the Scheme as at 31 March 2017:

Category of grantees	Outstanding at 1 April 2016	Number of options Granted	Number of options exercised	Number of options lapsed/ forfeited	Outstanding at 31 March 2017
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	22,210,000	–	–	(920,000)	21,290,000
Consultants	4,000,000	–	–	–	4,000,000
Total	27,410,000	–	–	(920,000)	26,490,000

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

At 31 March 2017, 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 share held	Percentage of the Company's issued share capital
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. Chen 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 2017 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, A.6.7 and C.1.2. The full details of corporate governance practices adopted by the Company during the year ended 31 March 2017, or where applicable, up to the date of this report, are set out on pages 17 to 24 of this report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2017 were audited by PricewaterhouseCoopers who retire and, being eligible, shall offer themselves for reappointment at the forthcoming AGM.

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

Hong Kong, 23 June 2017

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 (the "**Board**") of directors (the "**Directors**") of the Company 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 BOARD OF DIRECTORS

Composition

As at 31 March 2017, 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 bought 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.

Roles and Responsibilities of the Board

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board 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 Chairman and Chief Executive Officer, Zheng Andy Yi Sheng, is responsible for setting the overall business strategies and management and ensuring the Board is functioning properly. He is also responsible for managing the Group's business, including implementing the Group's strategies, making day-to-day decisions.

The deputy general manager, Mr. Zheng Minsheng, is responsible for managing business operation, including procurement, production management, quality control.

The independent non-executive directors are independent of the management of the Group's business. They are professionals with substantial experience in accounting, banking, financial management, legal and business. The mix of skills and business experience is a major contribution to the future development of the Company. They ensure the Company maintains a high standard of financial and legal report and provide checks and balances to safeguard the interests of the shareholders.

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.

Independent Non-executive Directors

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The number of Independent Non-executive Directors on the Board is four and meets one-third requirements under the Listing Rules throughout the year.

The Company has received written annual confirmation from each of the three Independent Non-executive Directors, namely Mr. Lau Kwok Hung, Mr. Ma Wenming and Mr. Fok Po Tin, of their independence pursuant to the requirements of Rules 3.13 of the Listing Rules. The Company considers all of them to be independent in accordance with the independence guidelines set out in the Listing Rules.

Continuous Professional Development of the Directors

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company is set out in the table below:

Name of Directors	Attending training courses, seminars or conference	Reading newspapers, business journals and regulatory updates
Mr. Zheng Andy Yi Sheng		✓
Mr. Zheng Minsheng		✓
Mr. Lau Kwok Hung	✓	✓
Mr. Ma Wenming		✓
Mr. Fok Po Tin	✓	✓

BOARD MEETINGS

The Board normally has four regular meetings a year and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. During the year ended 31 March 2017, four Board meetings and one general meeting were held. The attendance of each Director at the Company's general meetings and regular Board meetings held during the year ended 31 March 2017 was as follows:

	Meeting attended/held	
Name of Directors	Regular Board Meeting	Annual General Meeting
Mr. Zheng Andy Yi Sheng	4/4	1/1
Mr. Zheng Minsheng	4/4	1/1
Mr. Lau Kwok Hung	4/4	1/1
Mr. Ma Wenming	2/4	0/1
Mr. Fok Po Tin	2/4	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.

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 auditor; 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 2017, the Audit Committee held two meetings, inter alia, to review the 2016 annual results and the interim results for the six months ended 30 September 2016 of the Group; to discuss the change of auditor of the Company; 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 2017, the Audit Committee met the external auditor twice to discuss any areas of concerns. Members and their attendance are as follows:

Name of Directors	Meeting Attendance/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 2017, 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	Meeting Attendance/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 2017, 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	Meeting Attendance/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 our Group. Details of the authority and duties of the CG Committee are available on the Company's website.

During the year ended 31 March 2017, 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	Meeting Attendance/held
Mr. Zheng Andy Yi Sheng *(Chairman)*	1/1
Mr. Zheng Minsheng	1/1
Mr. Lau Kwok Hung	1/1

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 2017 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 departments 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.6.7

Under code provision A.6.7 of the CG Code, the independent non-executive Directors should attend the general meetings. However, the independent non-executive Director, Mr. Ma Wenming, was out of town for other important engagement at the same time and did not attend the AGM of the Company held on 19 August 2016.

Code Provision C.1.2

Pursuant to Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13. During the year under review, the management of the Company did not provide monthly updates to all members of the Board as required by the Code Provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including Independent Non-executive Directors) of the Board periodically updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

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 2017.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board is not aware of any material uncertainties relating to the events or condition that may cast doubt upon the Company's ability to continue as a going concern. The statements of the external auditor of the Company, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Group's consolidated financial statements are set out in Independent Auditor's Report on page 30 to page 33.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its external auditors for the year ended 31 March 2017. The Audit Committee has been notified of the nature and the charges of the non-audit services during the year performed by PricewaterhouseCoopers and considered that these non-audit service charges 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 2017, the fee paid/payable to PricewaterhouseCoopers in respect of its statutory audit services provided to the Company was approximately HK$1,500,000. Fees for non-audit services for the same period was approximately HK$200,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness to safeguard the Group's assets.

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. To safeguard confidentiality, information access is managed on a need-to-known basis. Use of computers, especially access to the Internet and e-mail systems, is similarly regulated with a view towards security.

The risk management and internal control systems provide 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.

The Board, through the audit committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

The Company has engaged an independent professional advisor (the "**Advisor**") to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The Advisor normally conducts review and present report to the Audit Committee and the Board to improve the effectiveness of the Group's risk management and internal control systems once a year. For the year ended 31 March 2017, the Board and Audit Committee considered the risk management and internal controls system effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group were identified.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2017.

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 the Chief Executive Officer and is responsible for advising the Board on compliance matters directly reports to the Board. Minutes of all meetings of the Board and the 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 2017, 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 of the Company 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 "Corporate Information".

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.

ABOUT THIS REPORT

Huaxi Holdings Company Limited (the "Company") is pleased to present its Environmental, Social, and Governance, in accordance with Appendix 27 of the Listing Rule of the Hong Kong Stock Exchange. The reporting period of this report is from 1 April 2016, to 31 March 2017.

This report covers only the material issues of the operations of the Company and its subsidiary, Shantou Xin Da Colour Printing and Packing Materials Company Limited ("Shantou Xinda"), unless otherwise specified. We actively promote the concept of environmental protection in its operation. Shantou Xinda not only classified as a "High Technology Enterprise" and major contributor of tax revenue in Guangdong Shantou, high credibility enterprise in honouring its contracts, but also strive for becoming a "green" enterprise.

ABOUT THE COMPANY

The Company is the fourth largest supplier of cigarette packaging materials in Guangdong, China. The main business is producing and distributing cigarette-related packing materials. Our products can be divided into six main products: inner frame paper, cigarette box frame paper, tipping paper, trademark labels, cigarette paper box, transfer printing cardboard and transfer art paper. Our products primarily go towards two tobacco manufacturers own cigarette brands that are designated by the Chinese State Tobacco Monopoly Administration to be part of the domestic "20+10" major brand chart. The Company's primary operation centre is based in Shantou of Guangdong Province. The centre stretches 17,000m^3 of land, fitted with factories housing advance manufacturing facility, capable of substantial quantity production demands.

STAKEHOLDERS' INVOLVEMENT

Key Stakeholders	Key Concerns	Communication Channels
Shareholders/Investors	Investments returns, operating performance, sustainable development and corporate governance	General meetings, financial reports, announcements, correspondence, emails, etc.
Staff	Staff's interest and career development	Staff meetings routine activities, training programs, corporate activities, etc.
Customers	Product and services quality	Official correspondences, emails, telephone conference, site visits, etc.
Suppliers	Fair competition	Official correspondences, emails, telephone conference, site visits, etc.
Government and regulatory authorities	Operation compliance	Official correspondences, emails, telephone conference, information disclosure, etc.
Community and public	Community development and social welfare	Participate and support social activities, etc.

A. ENVIRONMENT

A1. Emissions

The Company strictly monitors its production of wastes during operations, and constantly improves its waste disposal methodologies. We assure that the Company's environmental protection policies and facilities comply with national and local regulatory standards.

1. We contracted a third-party professional waste disposal company, commissioned to handle wastes generated during production, including but not limited to ink waste, spent light tubes, waste cloth, empty barrels, used activated carbon.

2. Air pollutant collection devices were installed in the factory plant to collect and purify air at its source. The main gaseous pollutants found are benzene and total volatile organic compounds (TVOCs). The total gas treatment capacity of the devices is approximately 10,000m^3 per hour. The pollutant devices are processed by activated carbon and purify via exposure to ultraviolet photolysis. The purified air shall meet relevant environmental regulatory requirements.

3. Company employees are encouraged to use e-mails and telephone to communicate with clients and suppliers. To the best degree, we shall reduce our usage of airplanes, trains, and motor vehicles, doing our part in reducing greenhouse gas emission.

4. We have installed water treatment facility to handle the daily waste water generated from the cafeteria. The facility can treat approximately 8 tonnes of water per day. The quality of recycled water was recognized by relevant government agent for inspection.

We believe that the company's environmental protection system and facilities comply with China's national and local environmental regulations.

A2. Use of Resources

We draft our natural resource conservation policies with the goal to reduce energy and resource consumption. Recycle to the best of our ability and minimize the quantity of manufacturing waste. During reporting period, consumption of electricity and water were approximately 3,730,000 kW and 21,000 cubic meters respectively.

1. We fully utilize the factory location of Southern China, where the rain is plenty. A rainwater collection facility is installed in the garden area. The collected rainwater is then filtered and used as cooling agent for the production machineries and for firefighting. During the period under review, recycled water used in the above said process was approximately 99,000 cubic meters respectively.

2. Parts of our factory equipment are fitted with heat recovery devices. This facility is used to collect the heat emitted by the equipment in use. The collected heat was used to preheat the machineries preparing for production. On the other hand, the heat energy also supply heat in winter for our employees in the workshop. As per our estimation, consumption of electricity was saved by 30,000kWh in the period under review.

3. We had extensive discussions with our customers to recycle some of the containers and packaging materials for delivery of our products. Our statistics showed that 14,000 plastic wrapping cores were re-used this year.

4. We proactively work with our customers and suppliers in exploring the application of more environmentally friendly material, including but not limited to replace the traditional oil-based ink with more environmentally friendly water-soluble ink and swap to use the benzene-free product instead of traditional glue for our products.

5. In the office, factory plant and back-office areas, including workshops, green area, cafeteria, staff quarters, staff were encouraged to conserve water and electricity. We adopted guidelines to stipulate and monitor the use of lighting and air-conditioning. We strengthened our awareness on resource conservation through training.

A3. Environmental Impact

The Company continuously improved its environmental management system, strengthening supervision and to the best extent, minimize our production's impact to the local environmental. We worked tirelessly for maintaining our operation centre into a pleasant work environment, with plenty of plants and spacious grass area and let our employees had a healthy and comfortable working condition.

B. SOCIAL

B1. Employment

The Group does not discriminate against or deprive somebody of opportunities in respect of recruitment, compensation, welfare, training, promotion and development. We place value on employee interests and development. Career success is accomplished by talents, whereas, talents are being developed by career. We established a series of procedural systems and frameworks, which cover different aspects of human resources management such as remuneration and benefits, recruitment and promotion, attendance management and performance management.

- Most of the company employees are located in China. Analysis of workers hired by Shantou Xinda as at 31 March 2017 is set out below:

	By Age Group				By Gender	
No. of workers	Under 20	20–30	30–55	Over 55	Male	Female
238	2	49	168	19	166	72

- Our cafeteria in Shantou Xinda provides meals to staff.

- New trainee employees are provided with workplace accident insurance coverage, and upon becoming formal employees, they are provided with pension insurance, medical insurance, unemployment insurance, workplace injury insurance, maternity insurance, and housing providence Fund.

- Company maintains a fair and open attitude towards every employee. Hiring, salaries, benefits, promotion opportunities are handle and granted to employees fairly.

- Company recruits its employees from a variety of provinces in China, exhibiting no form of regional discrimination.

- Fire safety demonstrations and other employment skills training are also provided.

➢ The company's rules for employees follows and recognize the relevant labour laws and regulations in China.

Employee fire-fighting demonstration

Corporate vacation to Guilin

B2. Health and Safety

The Company is committed in providing a safe and healthy work environment and established relevant management systems, and standardized safety production procedures. Our environmental management system conforms to the ISO 14001 standard and also award the GB/T28001 occupational health and safety management system certification. During the reporting period, Shantou Xinda did not have any material industrial accidents.

B3. Development and Training

We hold employee technical training and skills expansion at tremendous importance, the Company established a series of training schedules, specifically targeting areas such as safety, product quality, professional skills development, and work site management. During the reporting period our personnel have completed the following training categories:

1. Key positions professional skills training
2. Fire drill
3. Machine safety training
4. Operation safety training
5. Quality control training
6. How to create a good team
7. 5S site management training
8. Equipment management
9. Internal control training

B4. Labour Standards

We comply fully with the recruitment and labour laws and regulations set out in the People's Republic of China, and Hong Kong Special Administrative Region, ensuring that the rights and interests of employees are protected. The Company prohibits the use of child labour and forced labour. During this reporting period, we have no material breach of any laws and regulations relating to the employment and labour.

B5. Supply Chain Management

The Company places tremendous importance on its supply chain; at the supplier level we have set up an evaluation system and the establishment of a qualified-suppliers directory. We assess individual suppliers on their ability to deliver quality raw-materials in a timely manner, their service standards and corporate credibility periodically to ensure the quality and price are for our interest.

B6. Product Responsibility

The Company believes that product quality is the lifeline of an enterprise. Our products are certified by the GB/T19001-2008 and ISO9001:2008 under the Quality Management System. The deliverable products are monitored according to both national standards and internal control. Every output batch can be traced by our internal backtrack system, where the entire production procedure can be revisited, ensuring that our customers receive the best products in a timely manner. In the reporting period, we did not received any complaints from our customers about the quality of our products.

B7. Anti-Corruption

All employees are required to strictly abide to the Company ethical standards, vigorously detect and prevent bribery, extortion, fraud, and other acts. We take a zero-tolerance stance on any degree and any form of bribery, extortion and corruption. The Company Employee Handbook clearly specifies that employees, through individual business connections, acquaintance of outside parties, shall avoid gifting and receiving gifts. Company mandates that employees shall not accept improper gift for their personal benefits.

Employees if found in violation of company anti-corruption policy shall receive formal warning and other disciplinary and legal actions. The Board of Directors and Company Management shall execute their duty to ensure employees strictly follow anti-corruption policy.

B8. Community Investment

The Company maintains its interaction and builds a constructive relationship with the local community, and enthusiastically follows local charity activities. The Company is a Council Member of the Shantou City Longhu District Charity Organization, and member to the Shantou City Longhu District Social Security Welfare Association. The Company had donated RMB100,000 to the charity organization in Longhu District in this reporting period.

pwc

羅兵咸永道

To the Shareholders of Huaxi Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited
The consolidated financial statements of Huaxi Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 89, which comprise:

- the consolidated statement of financial position as at 31 March 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence
We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We considered "Revenue recognition from sales of cigarette packaging products" as a key audit matter that was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from sales of cigarette packaging products *Refer to Notes 2.21(a) and Note 6 to the consolidated financial statements* Revenue from sales of cigarette packaging products for the year ended 31 March 2017 amounted to HK$229,231,000, which represents 88% of the Group's total revenue. Revenue from sales of cigarette packaging products is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; when the Group has delivered products to the customer; and when the customer has accepted the products and collectability of the related receivables is reasonably assured. We focus on this area due to the large volume of revenue transactions derived from sales to multiple customers in different geographical locations within China such that we have incurred significant time and resources in carrying out our work in this area.	We understood and evaluated management's key internal controls that are present in the Group's sales process from end to end. We sent confirmations to selected major customers to confirm the amount of sales for the year ended 31 March 2017. Where responses were not received, we performed alternative procedures by agreeing the sales amount to sales orders, invoices, delivery notes and other supporting documents. We tested revenue on a sample basis by agreeing selected sales records to sales orders, invoices, delivery notes and other supporting documents. We also tested sales transactions that took place shortly before and after the balance sheet date to assess whether sales transactions were recognized in the correct reporting periods. Our work also included testing of a sample of revenue-related journal entries by inquiring management of their nature and inspecting the relevant supporting documents. We found management's recognition of revenue from sales of cigarette packaging products to be supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Po Wah, Pauline.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	6	**260,262**	252,368
Cost of sales	7	**(165,775)**	(158,160)
Gross profit		**94,487**	94,208
Distribution costs	7	**(2,618)**	(2,604)
Administrative expenses	7	**(39,544)**	(32,320)
Other gains/(losses) — net	9	**757**	(8,485)
Operating profit		**53,082**	50,799
Finance income	10	**3,053**	3,559
Profit before income tax		**56,135**	54,358
Income tax expense	11	**(15,107)**	(12,231)
Profit for the year		**41,028**	42,127
Profit/(loss) attributable to:			
— Owners of the Company		**48,199**	45,077
— Non-controlling interests		**(7,171)**	(2,950)
		41,028	42,127
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Currency translation difference		**(19,476)**	(16,306)
Other comprehensive income for the year, net of tax		**(19,476)**	(16,306)
Total comprehensive income for the year		**21,552**	25,821
Total comprehensive income attributable to:			
— Owners of the Company		**28,845**	29,081
— Non-controlling interests		**(7,293)**	(3,260)
		21,552	25,821
Earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)	12		
— Basic earnings per share		**HK14.21 cents**	HK13.29 cents
— Diluted earnings per share		**HK14.03 cents**	HK13.22 cents

The notes on pages 39 to 89 form an integral part of these consolidated financial statements.

	Note	31 March 2017 HK$'000	31 March 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	40,383	43,937
Prepaid operating lease	16	5,756	6,291
Deferred tax assets	17	2,442	2,063
Prepayments for non-current assets	18	118	13,361
		48,699	65,652
Current assets			
Inventories	19	29,760	33,248
Trade receivables	20	115,546	76,033
Amounts due from customer for contract work	21	22,098	2,380
Financial assets at fair value through profit or loss	22	28,852	38,049
Prepayments and other receivables	23	1,369	8,373
Restricted cash at banks	24	45,819	39,194
Cash and cash equivalents	25	116,507	140,625
		359,951	337,902
Total assets		408,650	403,554
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	3,393	3,393
Other reserves	27	174,254	191,600
Retained earnings		127,812	113,630
		305,459	308,623
Non-controlling interests	14(b)	(2,842)	4,451
Total equity		302,617	313,074

	Note	31 March 2017 HK$'000	31 March 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	6,212	6,641
Current liabilities			
Trade and notes payable	28	71,196	60,946
Other payables and accruals	29	19,889	14,502
Amounts due to a related party	32(c)	–	2,000
Current income tax liabilities		8,736	6,391
		99,821	83,839
Total liabilities		106,033	90,480
Total equity and liabilities		408,650	403,554

The notes on pages 39 to 89 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 34 to 89 were approved by the Board of Directors on 23 June 2017 and were signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 26)*	Other reserves HK$'000 *(Note 27)*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Year ended 31 March 2016						
Balance at 1 April 2015	3,393	202,698	109,991	316,082	7,711	323,793
Comprehensive income						
— Profit for the year	–	–	45,077	45,077	(2,950)	42,127
— Other comprehensive income	–	(15,996)	–	(15,996)	(310)	(16,306)
Total comprehensive income	–	(15,996)	45,077	29,081	(3,260)	25,821
Dividends	–	–	(40,710)	(40,710)	–	(40,710)
Value of employee services under share option scheme *(Note 27)*	–	4,170	–	4,170	–	4,170
Transfer to statutory reserves	–	728	(728)	–	–	–
Balance at 31 March 2016	3,393	191,600	113,630	308,623	4,451	313,074
Year ended 31 March 2017						
Balance at 1 April 2016	**3,393**	**191,600**	**113,630**	**308,623**	**4,451**	**313,074**
Comprehensive income						
— Profit for the year	**–**	**–**	**48,199**	**48,199**	**(7,171)**	**41,028**
— Other comprehensive income	**–**	**(19,354)**	**–**	**(19,354)**	**(122)**	**(19,476)**
Total comprehensive income	**–**	**(19,354)**	**48,199**	**28,845**	**(7,293)**	**21,552**
Dividends	**–**	**–**	**(33,925)**	**(33,925)**	**–**	**(33,925)**
Value of employee services under share option scheme *(Note 27)*	**–**	**1,916**	**–**	**1,916**	**–**	**1,916**
Transfer to statutory reserves	**–**	**92**	**(92)**	**–**	**–**	**–**
Balance at 31 March 2017	**3,393**	**174,254**	**127,812**	**305,459**	**(2,842)**	**302,617**

The notes on pages 39 to 89 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 March	
	Note	**2017** **HK$'000**	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	*30*	**36,400**	58,748
PRC enterprise income tax paid		**(14,794)**	(14,258)
Net cash generated from operating activities		**21,606**	44,490
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,703)**	(2,579)
Net proceed from disposal of property, plant and equipment		**92**	–
(Increase)/decrease in restricted cash at banks		**(6,625)**	12,894
Decrease in bank deposits with maturity over three months		**–**	42,674
Purchase of financial assets at fair value through profit or loss		**(19,091)**	(102,335)
Net proceed from disposal of financial assets at fair value through profit or loss		**26,096**	52,676
Dividend income from financial assets at fair value through profit or loss		**411**	–
Interest income from other financial assets		**2,695**	2,014
Interest income from bank deposits		**519**	1,545
Net cash generated from investing activities		**1,394**	6,889
Cash flows from financing activities			
(Decrease)/increase in amounts due to a related party		**(2,000)**	2,000
Dividends paid	*13*	**(33,925)**	(40,710)
Net cash used in financing activities		**(35,925)**	(38,710)
Net (decrease)/increase in cash and cash equivalents		**(12,925)**	12,669
Cash and cash equivalents at beginning of the year		**140,625**	137,904
Effect of change in exchange rate		**(11,193)**	(9,948)
Cash and cash equivalents at end of the year	*25*	**116,507**	140,625

The notes on pages 39 to 89 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, 75 Fort Street, P.O. Box 1350, 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 (i) manufacturing and sales of cigarette packing materials; and (ii) environmental treatment business in the People's Republic of China (the "**PRC**") for the year ended 31 March 2017.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 6 December 2013.

These consolidated financial statements are 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 23 June 2017.

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 all applicable 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 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 financial year beginning on or after 1 April 2016. The Group has adopted these amendments to standards which are relevant to its operations, but these amendments have no material impact in the Group's financial statement as at and for the year ended 31 March 2017.

- Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation".

- Amendment to HKAS 27 "Equity method in separate financial statements".

- Amendment from annual improvements to HKFRS — 2012–2014 Cycle, on HKFRS 7, "Financial instruments: Disclosures".

- Amendment from annual improvements to HKFRS — 2012–2014 Cycle, on HKFRS 19, "Employee benefits".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) *(continued)*

- Amendment from annual improvements to HKFRS — 2012–2014 cycle, on HKAS 34, "Interim financial reporting".
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception".
- Amendments to HKAS 1 "Disclosure initiative".
- HKFRS 14 "Regulatory deferral accounts".

(b) The following new and amended standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 12, "Income taxes"	The amendments stemmed from a request to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. However, the amendments address a broader area of accounting for deferred tax assets in general. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference. As the Group does not have debt instruments measured at fair value, the amendments will not have any impact on the financial position or performance of the Group.	1 January 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *(continued)*

		Effective for annual periods beginning on or after
Amendments to HKAS 7, "Statement of cash flows"	The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. Management anticipates that the application of amendments to HKAS 7 in the future may have a material impact on the consolidated statement of cash flows in the Group's combined financial statements. However, it is not practicable to provide a reasonable estimate of the effect of Amendments to HKAS 7 until the Group performs a detailed review.	1 January 2017
HKFRS15 "Revenue from Contracts with Customers"	HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; (5) Recognize revenue when performance obligation is satisfied.	1 January 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *(continued)*

		Effective for annual periods beginning on or after
HKFRS15 "Revenue from Contracts with Customers" *(continued)*	The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, which could affect the timing of the revenue recognition.	

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *(continued)*

		Effective for annual periods beginning on or after
HKFRS 9 "Financial Instruments"	HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("**OCI**") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.	1 January 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *(continued)*

		Effective for annual periods beginning on or after
HKFRS 9 "Financial Instruments" (continued)	HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses "ECL" model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortized cost a day-1 loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *(continued)*

		Effective for annual periods beginning on or after
Amendments to HKFRS 2 "Classification and Measurement of Share-based Payment Transactions"	The HKICPA has issued amendments to HKFRS 2. "Classification and Measurement of Share-based Payment Transactions". These amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modification from cash-settled awards to equity-settled awards. It also introduces an exception to the principles in HKFRS 2 that requires an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The directors do not foresee any material impact on the Group since the Group has insignificant cash-settled share-based payment transactions.	1 January 2018
HKRS 16 "Leases"	HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group only has non-cancellable operating lease commitments of HK$1,004,000 (Note 31). Management does not consider the adoption of this standard will have material impact on the financial position of the Group.	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) *(continued)*

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	To be determined

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 interests 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 unless the transaction provides evidence of an impairment of the transferred asset. 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/(losses) — 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	3–10 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/(losses) — 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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" 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/(losses) — 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 Construction contracts

A construction contract is defined as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Construction contracts *(continued)*

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion" method to determine the appropriate amount to recognise in a given period in respect of its environmental treatment business. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity of a contract are excluded from contract costs in determining the stage of completion.

In the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset (amounts due from customers for contract works) where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability (amounts due from customers for contract works) where the opposite is the case.

2.14 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.

2.15 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.

2.16 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.

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 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.

2.18.1 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.

2.18.2 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.

2.18.3 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 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 monthly contributions of each of the group company and its employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. 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.

2.20 Share-based payments

The Group operates an 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 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.

(a) 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.

(b) Construction contracts

Revenue from construction contracts comprises the agreed contract amount. Contract costs comprise direct equipment and material costs, labour and other costs of personnel directly engaged in the projects and attributable overheads. Revenue from the contracts (other than those that are recognised on a time proportion basis over the period of the contract or when the relevant services have been rendered, as appropriate) is recognised based on the percentage of completion of the transaction, provided that the revenues, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction, or the value of services performed to date as a percentage of the value of total services to be performed under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(c) Rendering of services

Revenue from maintenance service is recognised when the service is rendered.

2.22 Interest Income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 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.

2.24 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.

2.25 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 foreign currency denominated monetary assets and liabilities are as follows:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Denominated in HK$		
— Cash and cash equivalents	19,831	70
— Financial assets at fair value through profit or loss	19,458	24,431
— Other receivables	591	883
— Amounts due to a related party	–	(2,000)
— Other payables and accruals	(1,258)	(1,517)
	38,622	21,867
Denominated in US$		
— Cash and cash equivalents	328	313

As at 31 March 2017, if RMB had strengthened/weakened by 2% (2016: 2%) against the relevant foreign currencies with all other variables held constant, post-tax profit for the year would have been approximately HK$779,000 (2016: HK$450,000) lower/higher.

(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 1.56% (2016: 0.35% to 2.16%). As at 31 March 2017, 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$688,000 (2016: HK$800,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.1 Market risk *(continued)*

(c) Price risk

The Group is exposed to equity securities price risk because certain investments held by the Group are stated at fair value. The Group is not exposed to significant commodity price risk. Also, the Group has not entered into any long-term contracts with its suppliers but it can usually pass on any material fluctuations in raw materials prices to its customers. To manage its price risk arising from investments in equity securities, investment limits have been set by the Group.

As at 31 March 2017, if the price of the listed securities has increased/decreased by 10% with all other variables being held constant, post-tax profit for the year would have increased/decreased by HK$2,423,000 (2016: HK$3,198,000).

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 2017, substantially all (2016: same) 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 (2016: same).

As at 31 March 2017, approximately 97.3% (2016: 89.2%) of the Group's trade receivables were due from the top five largest customers, while approximately 84.6% (2016: 65.1%) of the Group's trade receivables were due from the largest customer, which are prominent cigarette manufacturers in the PRC.

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 Notes 20 and 23.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents 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.

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 and accruals 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 2017 HK$'000	31 March 2016 HK$'000
Within one year:		
Trade and notes payable	71,196	60,946
Other payables and accruals	9,833	7,141
Amounts due to a related party	–	2,000
	81,029	70,087

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 had net cash surplus as at 31 March 2017 (2016: same).

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The difference levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets that are measured at fair value at 31 March 2017:

	Level 1 HK$'000
Assets	
— Financial assets at fair value through profit or loss	**28,852**

The following table presents the Group's financial assets that are measured at fair value at 31 March 2016:

	Level 1 HK$'000
Assets	
— Financial assets at fair value through profit or loss	38,049

There were no transfers between level 1, 2 and 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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.

4.2 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.5 Percentage of completion of construction works

The Group recognises the revenue according to the percentage of completion of the individual contract of construction works. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on construction budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the percentage of completion and budgeted revenue. Because of the nature of the activities undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both contract revenue and contract cost in the budget prepared for each construction contract as the contract progresses.

4.6 Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

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 segments, has been identified as the executive directors of the Company.

For the year ended 31 March 2016, the Group is principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the "**Cigarette Packaging Business**"), which contributed to more than 90% of the Group's revenue and assets. Meanwhile, the Group diversified its business into manufacturing and sales of biotechnology products (the "**Biotechnology Business**") and environmental treatment business (the "**Environmental Treatment Business**"). The two segments are both in preliminary stage of development, which contributed to less than 10% of the Group's key financial indicators.

For the year ended 31 March 2017, the Environmental Treatment Business contributed to more than 10% of the Group's revenue. Accordingly, Environmental Treatment Business is separately presented as an operating segment in the current year. The comparative figures as at 31 March 2016 and for the year then ended have been restated to conform to the current year's presentation.

The CODM assesses the performance of the operating segments based on a measure of operating profit excluding other gains or losses arising from financial assets at fair value through profit or loss.

5 SEGMENT INFORMATION *(continued)*

Segment assets exclude financial assets at fair value through profit or loss and deferred tax assets. Segment liabilities exclude current income tax liabilities and deferred tax liabilities.

Capital expenditures represent additions to property, plant and equipment.

The segment results and other segment items of the Group for the year ended 31 March 2017 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Others HK$'000	The Group HK$'000
Revenue	229,352	29,312	1,598	260,262
Segment results	68,513	3,145	(16,757)	54,901
Other losses — net				(1,819)
Operating profit				53,082
Finance income				3,053
Profit before income tax				56,135
Income tax expense				(15,107)
Profit for the year				41,028
Other segment item Depreciation, amortisation and impairment	(4,757)	(116)	(11,345)	(16,218)

5 SEGMENT INFORMATION *(continued)*

The segment results and other segment item of the Group for the year ended 31 March 2016 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Others HK$'000	The Group HK$'000
Revenue	249,549	2,428	391	252,368
Segment results	68,923	(749)	(5,765)	62,409
Other losses — net				(11,610)
Operating profit				50,799
Finance income				3,559
Profit before income tax				54,358
Income tax expense				(12,231)
Profit for the year				42,127
Other segment item				
Depreciation and amortisation	(5,493)	–	(72)	(5,565)

The segment assets and liabilities at 31 March 2017 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Others HK$'000	Inter-segment elimination HK$'000	The Group HK$'000
Segment assets	**379,801**	**27,602**	**2,716**	**(32,763)**	**377,356**
Financial assets at fair value through profit or loss					**28,852**
Deferred tax assets					**2,442**
Total assets					**408,650**
Segment liabilities	**87,996**	**20,698**	**15,154**	**(32,763)**	**91,085**
Current income tax liabilities					**8,736**
Deferred tax liabilities					**6,212**
Total liabilities					**106,033**
Capital expenditures	**3,136**	**810**	**–**	**–**	**3,946**

5 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities at 31 March 2016 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Others HK$'000	Inter-segment elimination HK$'000	The Group HK$'000
Segment assets	361,675	7,830	16,121	(22,184)	363,442
Financial assets at fair value through profit or loss					38,049
Deferred tax assets					2,063
Total assets					403,554
Segment liabilities	76,210	2,700	20,722	(22,184)	77,448
Current income tax liabilities					6,391
Deferred tax liabilities					6,641
Total liabilities					90,480
Capital expenditures	1,267	100	368	–	1,735

6 REVENUE

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Sales of cigarette packaging products	**229,231**	249,177
Revenue from construction contract	**29,312**	2,428
Sales of biotechnology products	**1,598**	391
Sales of other products	**121**	372
	260,262	252,368

Except for the three (2016: two) customers below, no other customer individually accounted for more than 10% of the Group's revenue for the year ended 31 March 2017:

	Year ended 31 March	
	2017	2016
Customer A	**57.2%**	52.1%
Customer B	**23.5%**	27.1%
Customer C	**11.3%**	Not applicable*

*Note**: The revenue of the particular customer is less than 10% of the Group's revenue for the particular year.

All of the Group's sales are carried out by its subsidiaries in the PRC for the year ended 31 March 2017 (2016: same).

7 EXPENSES BY NATURE

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Cost of inventories sold	**125,758**	140,255
Staff costs (including directors' emoluments) *(Note 8)*	**24,958**	27,076
Raw materials consumed and subcontracting costs for construction contract	**19,163**	1,031
Provision for impairment of a non-current asset *(Note 18)*	**11,264**	–
Utilities	**5,218**	3,276
Depreciation and amortisation	**4,954**	5,565
Business tax and other taxes	**2,790**	3,116
Transportation expenses	**2,039**	2,145
Operating lease expenses	**1,934**	1,861
Auditor's remuneration	**1,500**	1,630
Office expenses	**1,050**	942
Provision for impairment of trade and other receivables	**660**	–
Travelling expenses	**579**	825
Other expenses	**6,070**	5,362
Total cost of sales, distribution costs and administrative expenses	**207,937**	193,084

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**21,555**	21,416
Contributions to pension plans	**1,487**	1,490
Value of employee services under share option scheme *(Note 27(c))*	**1,916**	4,170
	24,958	27,076

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

(a) Directors' emoluments

The remuneration of each director of the Company are set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Employer's contribution to retirement benefit schemes HK$'000	Value of employee services under share option scheme HK$'000	Total HK$'000
For the year ended 31 March 2017					
Executive:					
Mr. Zheng Andy Yi Sheng *(i)*	**500**	**109**	**11**	**–**	**620**
Mr. Zheng Minsheng *(ii)*	**400**	**109**	**11**	**43**	**563**
Independent non-executive:					
Mr. Lau Kwok Hung	**107**	**–**	**–**	**14**	**121**
Mr. Ma Wenming *(ii)*	**107**	**–**	**–**	**14**	**121**
Mr. Fok Po Tin	**107**	**–**	**–**	**14**	**121**
	1,221	**218**	**22**	**85**	**1,546**
For the year ended 31 March 2016					
Executive:					
Mr. Zheng Andy Yi Sheng *(i)*	500	118	11	–	629
Mr. Zheng Minsheng	400	118	11	83	612
Independent non-executive:					
Mr. Lau Kwok Hung *(iii)*	100	–	–	28	128
Mr. Ma Wenming	100	–	–	28	128
Mr. Fok Po Tin *(iii)*	100	–	–	28	128
	1,200	236	22	167	1,625

(i) Mr. Zhang Andy Yi Sheng is the chief executive officer of the Company.

(ii) Mr. Zheng Minsheng and Mr. Ma Wenming resigned and were re-elected as executive director and independent non-executive director, respectively of the Company on 19 August 2016.

(iii) Mr. Lau Kwok Hung and Mr. Fok Po Tin resigned and were re-elected as independent non-executive directors of the Company on 28 August 2015.

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

(b) Benefits and interests of directors

The following disclosures are made pursuant to section 383(1)(b) to (f) of the Companies Ordinance (Cap. 622) and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

For the year ended 31 March 2017, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2016: same). No consideration was provided to or receivable by third parties for making available directors' services (2016: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: same).

No directors of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year ended 31 March 2017 or at any time during the year (2016: same).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 2 directors (2016: 2), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals (2016: 3) during the year are as follows:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Salaries, wages, bonuses, welfare and other benefits	**1,490**	1,436
Contributions to retirement schemes	**51**	50
Value of employee services under share option scheme	**87**	173
	1,628	1,659

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

	Year ended 31 March	
	2017	2016
Emolument bands		
— Nil to HK$1,000,000	**3**	3

(d) 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	
	2017	2016
Emolument bands		
— Nil to HK$1,000,000	**3**	5

9 OTHER GAINS/(LOSSES) — NET

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Foreign exchange gains	**2,576**	3,125
Dividend income from financial assets at fair value through profit or loss	**411**	731
Gain/(loss) on disposal of financial assets at fair value through profit or loss	**1,855**	(7,706)
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	**(4,085)**	(4,635)
	757	(8,485)

10 FINANCE INCOME

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Interest income from bank deposits	**519**	1,545
Interest income from other financial assets *(Note (a))*	**2,534**	2,014
	3,053	3,559

(a) Other financial assets comprised certain non-derivative wealth management products with fixed or determinable payment terms of less than 14 days from a financial institution. As at 31 March 2017, all such other financial assets were redeemed (2016: same).

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 subsidiaries 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 rate is unified at 25% for all types of entities, effective from 1 January 2008.

On 9 October 2014, the Group's major operating 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 subsidiary is in the process of applying for the Certificate in the next three years, commencing on 1 January 2017.

According to the EIT Law and Implementation Rules, starting from 1 January 2008, a withholding income 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 income 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 Hong Kong.

11 INCOME TAX EXPENSE *(continued)*

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Current income tax		
— PRC enterprise income tax	**12,547**	11,031
Deferred income tax		
— PRC enterprise income tax	**(517)**	(1,053)
— Withholding income tax for profit to be distributed from the PRC	**3,077**	2,253
	15,107	12,231

No income tax charges relating to components of other comprehensive income existed for the year ended 31 March 2017 (2016: nil).

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit before income tax	**56,135**	54,358
Tax calculated at applicable corporate income tax rate of the respective companies	**6,202**	7,025
Tax effect of:		
— Tax losses for which no deferred income tax asset was recognised	**2,745**	2,594
— Expenses not deductible for income tax	**3,083**	359
— Withholding income tax for profit to be distributed from the subsidiaries in the PRC	**3,077**	2,253
	15,107	12,231

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 number of ordinary shares in issue during the year.

	Year ended 31 March	
	2017	2016
Profit attributable to owners of the Company (HK$'000)	**48,199**	45,077
Weighted average number of ordinary shares in issue	**339,250,000**	339,250,000
Basic earnings per share	**HK14.21 cents**	HK13.29 cents

12 EARNINGS PER SHARE *(continued)*

(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.

	Year ended 31 March	
	2017	2016
Profit attributable to owners of the company (HK$'000)	**48,199**	45,077
Weighted average number of ordinary shares in issue	**339,250,000**	339,250,000
Adjustments for share options	**4,305,000**	1,723,000
Weighted average number of ordinary shares for diluted earnings per share	**343,555,000**	340,973,000
Diluted earnings per share	**HK14.03 cents**	HK13.22 cents

13 DIVIDENDS

	Year ended 31 March	
	2017 **HK$'000**	2016 HK$'000
Interim dividends, paid *(Note (a))*	**13,570**	13,570
Proposed final dividends *(Note (b))*	**20,355**	20,355
	33,925	33,925

(a) Interim dividends, paid

An interim dividend of HK4.00 cents (2016: HK4.00 cents) per ordinary share, totalling approximately HK$13,570,000 (2016: HK$13,570,000) were declared and paid during the year ended 31 March 2017.

(b) Proposed final dividends

A final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 March 2017 (2016: HK6.00 cents), totalling approximately HK$20,355,000, was proposed by the Board on 23 June 2017. 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 SUBSIDIARIES

(a) Details of the principal subsidiaries at 31 March 2017 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 owners of the Company	Principal activities
Directly held by the Company:				
Esteem Joy Limited	British Virgin Islands 13 April 2015	US$1	100%	Investment holding
Xinda Capital Limited	British Virgin Islands 21 May 2013	US$50,000	100%	Investment holding
China Environmental Holdings Limited	Hong Kong 17 October 2016	HK$1	100%	Investment holding
Indirectly held by the Company:				
Xin Da (Hong Kong) Investment Trading Company Limited	Hong Kong 3 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 *(b)*	Hong Kong 12 November 2014	HK$16,412,600	51%	Investment holding
Huazhang Biological Technology (Shanghai) Co., Ltd *(c)* ("**Huazhang Shanghai**")	PRC 17 December 2014	RMB13,000,000	51%	Biological technology research and related products trading
Heihe Huazhang Agricultural Science and Technology Development Co., Ltd *(d)* ("**Huazhang Heihe**")	PRC 14 January 2015	RMB10,000,000 *(f)*	51%	Agricultural science and technology related service
Guangdong Foxin Environmental Management Co., Ltd *(e)* ("**GD Foxin**")	PRC 15 July 2015	RMB10,000,000 *(g)*	51%	Environmental treatment 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) On 22 June 2015, the subsidiary increased its registered capital from HK$100 to HK$16,412,600.

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

(d) Huazhang Heihe is established in the PRC with an infinite operating period.

(e) GD Foxin is a wholly foreign owned enterprise established in the PRC to be operated for 15 years up to 15 July 2030.

(f) Registered capital of Huazhang Heihe amounting to RMB5,780,000 is yet to be paid up as at 31 March 2017.

(g) Registered capital of GD Foxin amounting to RMB5,267,000 is yet to be paid up as at 31 March 2017.

14 SUBSIDIARIES *(continued)*

(b) Non-controlling interests

The non-controlling interests for the year ended 31 March 2017 is attributed by Huazhang Investments Company Limited and its three subsidiaries, namely Huazhang Shanghai, Huazhang Heihe and GD Foxin, all being 51% owned subsidiary of the Group (the "**Huazhang Group**").

Significant restrictions

Cash of HK$2,330,000 (2016: HK$991,000) are held in the PRC in the Huazhang Group 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.

Summarised financial information on subsidiaries with non-controlling interests

Set out below are the summarised financial information for the Huazhang Group that have non-controlling interests. There is no dividend paid to non-controlling interests. During the year ended 31 March 2017, the Huazhang Group is principally engaged in the Environmental Treatment Business and the Biotechnology Business.

Summarised statement of financial position of the Huazhang Group

	31 March 2017 HK$'000	31 March 2016 HK$'000
Non-current:		
Prepayment for non-current assets	–	12,000
Other non-current assets	1,032	626
Net non-current assets	1,032	12,626
Current:		
Cash and cash equivalents	2,401	1,007
Other current assets	22,515	10,502
Current liabilities	(31,656)	(15,052)
Net current liabilities	(6,740)	(3,543)
Total (deficit)/equity	(5,708)	9,083

Summarised statement of comprehensive income of the Huazhang Group

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Revenue	30,910	2,819
Loss before income tax	(13,873)	(6,208)
Loss after income tax	(14,543)	(6,021)
Other comprehensive income	(248)	(633)
Total comprehensive income	(14,791)	(6,654)
Total comprehensive income allocated to non-controlling interests	(7,293)	(3,260)

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK$'000	Machinery HK$'000	Office equipment HK$'000	Total HK$'000
At 1 April 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
Year ended 31 March 2016				
Opening net book amount	22,308	26,480	1,094	49,882
Exchange differences	(1,070)	(1,176)	(32)	(2,278)
Additions	224	961	550	1,735
Depreciation	(1,596)	(3,083)	(723)	(5,402)
Closing net book amount	19,866	23,182	889	43,937
At 31 March 2016				
Cost	36,965	47,126	2,791	86,882
Accumulated depreciation	(17,099)	(23,944)	(1,902)	(42,945)
Net book amount	19,866	23,182	889	43,937
Year ended 31 March 2017				
Opening net book amount	**19,866**	**23,182**	**889**	**43,937**
Exchange differences	**(1,192)**	**(1,356)**	**(50)**	**(2,598)**
Additions	**–**	**3,792**	**154**	**3,946**
Disposal	**(73)**	**(27)**	**–**	**(100)**
Depreciation	**(1,319)**	**(3,234)**	**(249)**	**(4,802)**
Closing net book amount	**17,282**	**22,357**	**744**	**40,383**
At 31 March 2017				
Cost	**34,623**	**48,009**	**2,753**	**85,385**
Accumulated depreciation	**(17,341)**	**(25,652)**	**(2,009)**	**(45,002)**
Net book amount	**17,282**	**22,357**	**744**	**40,383**

As at 31 March 2017, all plant and buildings were located in the PRC (2016: same).

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

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
Cost of sales	**2,631**	3,060
Administrative expenses	**2,171**	2,342
Total	**4,802**	5,402

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	
	2017	2016
	HK$'000	HK$'000
At beginning of the year		
Cost	**8,129**	8,552
Accumulated amortisation	**(1,838)**	(1,768)
Net book amount	**6,291**	6,784
For the year		
Opening net book amount	**6,291**	6,784
Exchange differences	**(383)**	(330)
Amortisation charges	**(152)**	(163)
Closing net book amount	**5,756**	6,291
At end of the year		
Cost	**7,630**	8,129
Accumulated amortisation	**(1,874)**	(1,838)
Net book amount	**5,756**	6,291

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Cost of sales	**–**	30
Administrative expenses	**152**	133
Total	**152**	163

17 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Deferred income tax assets	**2,442**	2,063
Deferred income tax liabilities	**(6,212)**	(6,641)

The gross movements on the deferred income tax account is as follows:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000
At beginning of the year	**(4,578)**	(3,305)
Exchange differences	**395**	(73)
Tax credited to the consolidated income statement	**(2,560)**	(1,200)
Withholding income tax paid	**2,973**	–
At end of the year	**(3,770)**	(4,578)

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

Deferred income tax assets

	Temporary difference on depreciation HK$'000	**Temporary difference on accrual** HK$'000	**Temporary difference on inventory provision** HK$'000	**Temporary difference on fair value losses of listed securities** HK$'000	**Temporary difference on tax losses** HK$'000	**Total** HK$'000
At 1 April 2015	517	524	42	–	–	1,083
Tax (credited)/charged to the consolidated income statement	(9)	18	(41)	898	187	1,053
Exchange differences	(24)	(27)	(1)	(18)	(3)	(73)
At 31 March 2016	484	515	–	880	184	2,063
Tax (credited)/charged to the consolidated income statement	(33)	318	–	408	(176)	517
Exchange differences	(29)	(38)	–	(63)	(8)	(138)
At 31 March 2017	**422**	**795**	**–**	**1,225**	**–**	**2,442**

17 DEFERRED INCOME TAX *(continued)*

Deferred tax liabilities

	Recognised for withholding income tax in the PRC HK$'000
At 1 April 2015	4,388
Tax credited to the consolidated income statement	2,253
At 31 March 2016	6,641
Tax credited to the consolidated income statement	3,077
Withholding income tax paid	(2,973)
Exchange differences	(533)
At 31 March 2017	**6,212**

As at 31 March 2017, the Group had unrecognised deferred income tax liabilities of HK$5,049,000 (2016: HK$4,986,000), that would otherwise be payable as withholding income tax in respect of the undistributed profits of a PRC subsidiary. No provision has been made in respect of such withholding income 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$100,981,000 as at 31 March 2017 (2016: HK$99,729,000).

As at 31 March 2017, the Group has unrecognised deferred tax assets of approximately HK$5,339,000 (2016: HK$2,594,000) with respect to tax losses amounting to HK$27,618,000 (2016: HK$13,239,000) of certain subsidiaries that can be utilised to offset against future taxable profit of those subsidiaries.

The expiry date of tax losses carried forward in respect of which deferred tax assets have not been accounted for is as follows:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Expire in 2021	**4,816**	4,816
Expire in 2022	**4,386**	–
Without expiry date	**18,416**	8,423
	27,618	13,239

18 PREPAYMENTS FOR NON-CURRENT ASSETS

	31 March 2017 HK$'000	31 March 2016 HK$'000
Prepayment for an intangible asset *(Note (a))*	**11,264**	12,000
Prepayments for properties, plant and equipment	**118**	1,361
	11,382	13,361
Less: provision for impairment of prepayment of an intangible asset *(Note (a))*	**(11,264)**	–
	118	13,361

(a) This represents provision of impairment for prepayments of certain patent and technologies relating to development of a high-resistant starch content product of the Group's biotechnology business, as the directors has decided to suspend the development of the project.

19 INVENTORIES

	31 March 2017 HK$'000	31 March 2016 HK$'000
Raw materials	**18,336**	13,799
Finished goods	**11,424**	19,449
	29,760	33,248

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$125,758,000 for the year ended 31 March 2017 (2016: HK$140,255,000). No inventory write-down or reversal included in those cost during the year (2016: reversal of provision of HK$281,000). No inventory provision was made as at 31 March 2017 (2016: nil).

20 TRADE RECEIVABLES

	31 March 2017 HK$'000	31 March 2016 HK$'000
Trade receivables	**115,953**	76,033
Less: allowance for impairment of trade receivables *(Note (b))*	**(407)**	–
Trade receivables — net	**115,546**	76,033

20 TRADE RECEIVABLES *(continued)*

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

	31 March 2017 HK$'000	31 March 2016 HK$'000
Less than 30 days	**61,591**	56,061
31 days to 60 days	**35,587**	13,414
61 days to 90 days	**–**	4,787
91 days to 180 days	**18,438**	1,771
Over 180 days	**337**	–
	115,953	76,033

As at 31 March 2017, trade receivables of HK$18,438,000 (2016: HK$1,771,000) were past due but not impaired. These relate to two (2016: three) independent customers for whom there are no financial difficulty and the directors, based on past experience, consider that those amounts can be recovered.

(b) As at 31 March 2017, trade receivables of HK$407,000 (2016: nil) were past due and fully impaired. The impaired receivables were related to the Biotechnology Business (Note 14(b)). The ageing of these receivables is as follows:

	31 March 2017 HK$'000	31 March 2016 HK$'000
31 days to 60 days	**70**	–
Over 180 days	**337**	–
	407	–

(c) The Group's trade receivables were denominated in RMB as at 31 March 2017 (2016: same).

(d) As at 31 March 2017, 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 (2016: same).

21 CONSTRUCTION CONTRACT

	31 March 2017 HK$'000	31 March 2016 HK$'000
The aggregate costs incurred plus recognised profits	**32,383**	2,428
Exchange differences	**(814)**	(48)
Less: progress billings	**(9,471)**	–
Net balance sheet position for an ongoing contract	**22,098**	2,380

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2017 HK$'000	31 March 2016 HK$'000
Listed securities — held for trading		
— Equity securities — denominated in HK$	**19,458**	24,431
— Equity securities — denominated in RMB	**9,394**	13,618
	28,852	38,049

23 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2017 HK$'000	31 March 2016 HK$'000
Other receivables	**1,278**	2,329
Other prepayments	**243**	–
Advance to suppliers and services providers	**101**	6,044
Less: allowance for impairment of other receivables *(Note (c))*	**(253)**	–
	1,369	8,373

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

	31 March 2017 HK$'000	31 March 2016 HK$'000
Denominated in RMB	**931**	1,446
Denominated in HK$	**347**	883
	1,278	2,329

(b) As at 31 March 2017, the Group's maximum exposure to credit risk was the carrying value of other receivables mentioned above. The Group does not hold any collateral as security (2016: nil).

(c) As at 31 March 2017, other receivables of HK$253,000 (2016: nil) with age over 180 days were fully impaired.

24 RESTRICTED CASH AT BANKS

	31 March 2017 HK$'000	31 March 2016 HK$'000
Denominated in RMB	**45,819**	39,194

As at 31 March 2017, the Group placed cash deposits of approximately HK$45,819,000 (2016: HK$39,194,000) with designated banks as collateral for the Group's notes payable.

The effective interest rate on restricted cash at banks was 1.56% (2016: 2.01%) per annum. These deposits have an average maturity of 180 days (2016: 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.

25 CASH AND CASH EQUIVALENTS

	31 March 2017 HK$'000	31 March 2016 HK$'000
Cash at bank and on hand	**116,507**	140,625

Cash and cash equivalents are denominated in the following currencies:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Denominated in RMB	**96,348**	140,242
Denominated in HK$	**19,831**	70
Denominated in US$	**328**	313
	116,507	140,625

The Group's cash and bank balances of HK$96,348,000 (2016: HK$140,242,000) 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.

26 SHARE CAPITAL

Authorised share capital	Number of ordinary shares	HK$
At 1 April 2015, 31 March 2016 and 31 March 2017	2,000,000,000	20,000,000

Issued share capital	Number of issued shares	Share capital
		HK$
At 1 April 2015, 31 March 2016 and 31 March 2017	339,250,000	3,392,500

27 OTHER RESERVES

	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 2016							
Balance at 1 April 2015	130,934	21,267	14,139	35,000	1,084	274	202,698
Value of employee services under share option scheme	–	–	–	–	4,170	–	4,170
Transfer to statutory reserves	–	728	–	–	–	–	728
Currency translation differences	–	–	(15,996)	–	–	–	(15,996)
Balance at 31 March 2016	130,934	21,995	(1,857)	35,000	5,254	274	191,600
Year ended 31 March 2017							
Balance at 1 April 2016	**130,934**	**21,995**	**(1,857)**	**35,000**	**5,254**	**274**	**191,600**
Value of employee services under share option scheme	**–**	**–**	**–**	**–**	**1,916**	**–**	**1,916**
Transfer to statutory reserves	**–**	**92**	**–**	**–**	**–**	**–**	**92**
Currency translation differences	**–**	**–**	**(19,354)**	**–**	**–**	**–**	**(19,354)**
Balance at 31 March 2017	**130,934**	**22,087**	**(21,211)**	**35,000**	**7,170**	**274**	**174,254**

27 OTHER RESERVES *(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 reserves

The Group's capital reserves represent 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 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 an 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 at 15 January 2015.

Vesting date	Expiry dates	Exercise price	Number of outstanding shares as at 31 March	
			2017	2016
1 year from 15 January 2015	14 January 2020	HK$2.58	**6,622,500**	6,852,500
2 years from 15 January 2015	14 January 2020	HK$2.58	**6,622,500**	6,852,500
3 years from 15 January 2015	14 January 2020	HK$2.58	**6,622,500**	6,852,500
4 years from 15 January 2015	14 January 2020	HK$2.58	**6,622,500**	6,852,500
			26,490,000	27,410,000

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

	Year ended 31 March	
	2017	2016
At 1 April	**27,410,000**	30,000,000
Forfeited	**(920,000)**	(2,590,000)
At 31 March	**26,490,000**	27,410,000

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 as at date of grant. 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. No options were exercised during the year (2016: nil).

The total expenses recognised for employee services received in respect of the Share Option Scheme for the year ended 31 March 2017 was HK$1,916,000 (2016: HK$4,170,000).

28 TRADE AND NOTES PAYABLE

	31 March 2017 HK$'000	31 March 2016 HK$'000
Trade payables *(Note(a))*	**25,039**	21,447
Notes payable — bank acceptance notes	**46,157**	39,499
	71,196	60,946

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

	31 March 2017 HK$'000	31 March 2016 HK$'000
Within 90 days	**24,835**	20,720
90 to 180 days	**204**	727
	25,039	21,447

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

29 OTHER PAYABLES AND ACCRUALS

	31 March 2017 HK$'000	31 March 2016 HK$'000
Accrual for staff costs and allowances	**4,733**	4,390
Other tax payables	**10,056**	7,361
Other accruals	**5,100**	2,751
	19,889	14,502

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

	31 March 2017 HK$'000	31 March 2016 HK$'000
Denominated in RMB	**18,631**	12,985
Denominated in HK$	**1,258**	1,517
	19,889	14,502

The fair value of these balance approximate their carrying amounts at 31 March 2017 (2016: same).

30 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit before income tax	**56,135**	54,358
Adjustments for:		
— Depreciation and amortisation	**4,954**	5,565
— Provision for impairment of prepayment for a non-current asset	**11,264**	–
— Losses of disposal of property, plant and equipment	**8**	–
— Other (gains)/losses — net	**(757)**	8,485
— Finance income	**(3,053)**	(3,559)
— Value of employee services under share option scheme	**1,916**	4,170
Changes in working capital:		
— Inventories	**3,488**	(173)
— Amounts due from customer for contract work	**(20,484)**	(2,380)
— Trade receivables	**(39,513)**	15,972
— Prepayments and other receivables	**7,004**	5,632
— Trade and notes payable	**10,250**	(23,237)
— Other payables and accruals	**5,188**	(6,085)
Net cash generated from operating activities	**36,400**	58,748

31 COMMITMENTS

(a) Capital commitments

As at 31 March 2017 and 31 March 2016, the Group had the following capital commitments:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Capital expenditure in respect of the acquisition of machinery contracted for but not provided	**56**	2,155

(b) Operating lease commitments

At 31 March 2017 and 2016, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Not later than one year	**1,004**	1,838
Later than one year and not later than two years	**–**	1,274
Later than two years	**–**	609
	1,004	3,721

32 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
Mr. Zhang Liang	General manager of Huazhang Shanghai until 22 June 2016
Shanghai Fo Xin Ai Jian River Management Co. Ltd.	Company controlled by Mr. Zhang Yongtai, a director of a non-wholly owned subsidiary

(b) **Key management compensations**

Key management compensations are set out below.

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**3,079**	3,408
Contributions to pension plans	**139**	354
Value of employee services under Share Option Scheme	**289**	618
	3,507	4,380

(c) **Transactions with a related party**

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Purchase of materials consumed for construction contract:		
— Shanghai Fo Xin Ai Jian River Management Co. Ltd.	**4,687**	–

The transaction with a related party is carried out in the normal course of business in accordance with terms as agreed with the related party.

32 RELATED PARTY TRANSACTIONS *(continued)*

(d) Balances with related parties

	31 March 2017 HK$'000	31 March 2016 HK$'000
Amounts due from related parties (included in prepayments and other receivables) *(i)*:		
— Shanghai Fo Xin Ai Jian River Management Co. Ltd.	**–**	4,440
— Mr. Zhang Liang	**–**	130
	–	4,570
Amounts due to a related party *(ii)*:		
— Mr. Zheng Andy Yi Sheng	**–**	2,000
Other payables *(ii)(iii)*:		
— Mr. Zheng Andy Yi Sheng	**250**	250
— Mr. Zheng Minsheng	**200**	500
	450	750

(i) Amounts due from related parties which were denominated in RMB, were unsecured, interest-free and recoverable on demand.

(ii) Amounts due to a related party and other payables, which were denominated in HK$, was unsecured, interest-free and repayable on demand.

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

33 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	31 March 2017 HK$'000	31 March 2016 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	115,526	82,674
Current assets		
Prepayments and other receivables	202	199
Amounts due from subsidiaries	28,079	72,392
Cash and cash equivalents	2,351	24
	30,632	72,615
Total assets	146,158	155,289
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,393	3,393
Other reserves	121,303	128,125
Retained earnings	20,355	20,355
	145,051	151,873
LIABILITIES		
Current liabilities		
Other payables and accruals	1,107	1,416
Amounts due to a related party	–	2,000
	1,107	3,416
Total liabilities	1,107	3,416
Total equity and liabilities	146,158	155,289

The financial statement was approved by the Board of Directors on 23 June 2017 and was signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

33 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

	Share premium HK$'000	Exchange reserves HK$'000	Share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Year ended 31 March 2016					
Balance at 1 April 2015	130,934	(471)	1,084	27,198	158,745
Profit for the year	–	–	–	33,867	33,867
Dividend	–	–	–	(40,710)	(40,710)
Value of employee services under Share Option Scheme	–	–	4,170	–	4,170
Currency translation differences	–	(7,592)	–	–	(7,592)
Balance at 31 March 2016	130,934	(8,063)	5,254	20,355	148,480
Year ended 31 March 2017					
Balance at 1 April 2016	**130,934**	**(8,063)**	**5,254**	**20,355**	**148,480**
Profit for the year	**–**	**–**	**–**	**33,925**	**33,925**
Dividend	**–**	**–**	**–**	**(33,925)**	**(33,925)**
Value of employee services under Share Option Scheme	**–**	**–**	**1,916**	**–**	**1,916**
Currency translation differences	**–**	**(8,738)**	**–**	**–**	**(8,738)**
Balance at 31 March 2017	**130,934**	**(16,801)**	**7,170**	**20,355**	**141,658**

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**260,262**	252,368	298,066	264,830	278,983
Profit from operation activities	**53,082**	50,799	81,165	69,373	53,982
Finance income	**3,053**	3,559	5,283	2,590	2,280
Profit before income tax	**56,135**	54,358	86,448	71,963	56,262
Income tax expense	**(15,107)**	(12,231)	(16,112)	(15,384)	(11,524)
Profit for the year	**41,028**	42,127	70,336	56,579	44,738
Attributable to:					
Owners of the Company	**48,199**	45,077	70,667	56,579	44,738
Non-controlling interests	**(7,171)**	(2,950)	(331)	–	–
Profit for the year attributable to owners of the Company	**41,028**	42,127	70,336	56,579	44,738

FINANCIAL POSITIONS

	31 March				
	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Total assets	**408,650**	403,554	442,642	336,846	263,183
Total liabilities	**(106,033)**	(90,480)	(118,849)	(104,124)	(113,359)
Non-controlling interests	**(2,892)**	4,451	7,711	–	–
Total equity	**302,617**	313,074	323,793	232,722	149,824