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
2018

CONTENTS

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
Shops 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

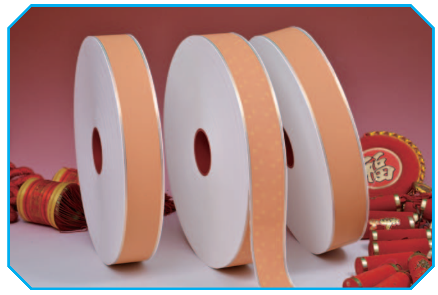
STOCK CODE

01689

Dear shareholders,

BUSINESS REVIEW

Since 2014, the growth of economy in the PRC has slowed down and entered a new stage with new characteristic and so does the growth of Chinese tobacco industry, without exception. The rapid growth of China's tobacco industry in two digits were gone. A steady growth, from "big step" to "small step", is basically established in this industry.



PERFORMANCE

In 2017, the overall sales of cigarette in China was only slightly increased by 0.82%. The Group is facing not only to the keen competition among the cigarette packaging material suppliers but also the increase in prices of raw materials and wages. Under these double pressure, both revenue and profit before taxation for the year ended 31 March 2018 decreased to approximately HK$209 million and HK$40 million respectively. In this difficult business environment, we insist on strict control over quality of our products and upgrade our technology to maintain high quality products and success rate of our output in order to reduce the wastage of raw materials and costs of production. On the other hand, we will actively contact other potential customers to seek for new business opportunities so as to expand our market share.

OPPORTUNITY

According to the report released by the Central Environmental Inspection Group, up to today, the overall sewage treatment in Lianjiang Basin of Guangdong Province is far behind the standard. In the future, all the relevant cities, towns and counties governments will increase resources for the sewage treatment of Lianjiang. The Group has experience in the sewage treatment project in the Xia Shan Da Xi (a branch of Lianjiang) with satisfactory outcome with the appreciations from relevant authorities. The Group has a strong and experienced team and is back up by a top scientific research organization in the PRC. We have confidence to win the bid in the rehabilitation projects. The Group will follow our long term strategies and policies to expand our space to develop and seek for investment opportunities in environmental treatment business.

I am confidence to implement the new business in the Group. I would like to express my sincere gratitude to the trust and support of our shareholders and stakeholders, and also to the board of directors (the "**Board**") and our employees for their dedication, sacrifices and professionalism.

Zheng Andy Yi Sheng
Chairman
Hong Kong, 26 June 2018

BUSINESS AND OPERATIONS REVIEW

The total revenue of the Group recorded approximately HK$209.08 million for the financial year ended 31 March 2018 ("**FY2018**") which represents a decrease of HK$51.18 million or 20% as compared to HK$260.26 million of last year ("**FY2017**"). During the period under review, sales of cigarette packaging materials was still the core business which recorded approximately HK$206.81 million (FY2017: HK$229.35 million) and the revenue from environmental treatment business and other business recorded approximately HK$2.27 million (FY2017: HK$30.91 million), which contributed approximately 99% (FY2017: 88%) and 1% (FY2017: 12%) of the Group's revenue respectively.

Manufacturing and sales of cigarette packaging materials

The decrease in revenue from sales of cigarette packaging materials was mainly attributed to intense competition in the printing and packaging business. The cigarette manufacturers continued their destocking policy and intensified tendering system which led to the decrease in average selling price of our products. The following table sets forth the breakdown of the Group's revenue from sales of cigarette packaging materials for the financial year ended 31 March 2018 and 31 March 2017:

	FY2018		FY2017	
	HK$'000	**%**	HK$'000	%
Inner Frame paper	**105,681**	**51.1**	123,671	53.9
Cigarette box frame paper	**35,284**	**17.1**	34,782	15.2
Tipping paper	**52,905**	**25.6**	58,175	25.3
Cigarette trademark label	**4,365**	**2.1**	8,439	3.7
Cigarette paper box	**1,285**	**0.6**	1,646	0.7
Transfer printing cardboard and transfer art paper	**7,225**	**3.5**	2,490	1.1
Others	**67**	**0.0**	149	0.1
Total	**206,812**	**100.0**	229,352	100.0

Environmental treatment business

During the period under review, no new water treatment project was commenced. The contract with Chaonan District People's 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) entered into the maintenance stage and recorded a revenue of approximately HK$2.27 million (FY2017: recorded a revenue of HK$29.31 million from the construction stage).

Gross profit and gross profit margin

The overall gross profit of the Group in the period under review was approximately HK$75.33 million (FY2017: HK$94.49 million). In FY2018, the overall gross profit margin was 36.0% which decreased slightly by 0.3% from 36.3% in FY2017. During the period under review, the gross profit margin for cigarette packaging materials was 36.7% representing a decrease of 3.2% compared with 39.9% in the corresponding period. Decrease in gross profit margin was resulted from increased in costs of raw materials as well as the decrease in selling price. Besides, a gross loss of HK$0.52 million was recorded from environmental treatment business in FY2018.

Distribution expenses

In FY2018, distribution expenses of the Group was amounted to approximately HK$2.22 million (FY2017: HK$2.62 million) which slightly decreased by approximately HK$0.40 million in line with the decrease of revenue.

Administrative expenses

The Group's administrative expenses in FY2018 was approximately HK$28.33 million (FY2017: HK$39.54 million) which decreased by approximately HK$11.22 million as compared with FY2017. Decrease of administrative expenses was mainly due to save in a one-off provision for impairment to the patent and technologies in the last financial year.

Taxation

Tax expense of the Group decreased by HK$6.01 million, from approximately HK$15.11 million in the FY2017 to approximately HK$9.10 million in the FY2018. Decreased in tax expense was due to decrease in profit before taxation and save in tax expense related to the one-off provision as mentioned above which was not deductable for tax purpose. The income tax rate of Shantou Xinda Colour Printing & Packaging Material Company Limited (an indirectly wholly owned subsidiary of the Company) is 15% which was because this subsidiary was awarded the High & New Technology Enterprise Certificate (the "**Certificate**"). The Certificate was renewed on 9 November 2017 and effective for three years commencing on 1 January 2017.

Profit attributable to owners of the Company

The Profit attributable to owners of the Company decreased to approximately HK$32.22 million from approximately HK$48.20 million in FY2017, representing a decrease of approximately HK$15.98 million or 33%. The decrease was mainly attributable to (i) the decrease in revenue due to a drop in average selling price across various products; (ii) the decrease in revenue from environmental treatment business; and (iii) the increase in loss provision on the listed securities at fair value.

Dividends

The Board has recommended to declare a final dividend of HK2.3 cents per ordinary share for the year ended 31 March 2018 (the "**Final Dividend**") (2017: HK6.00 cents per ordinary share before the effect of the Share Subdivision, as defined in Note 26(a) to the consolidated financial statements) whose names appear on the Register of Members of the Company on 18 September 2018. 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 2017. The Final Dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**AGM**") of the Company and will be paid on or around 11 October 2018.

Financial assets at fair value through profit or loss

The Group adopted a prudent attitude in its securities investment. The management takes into account of risk exposure in comparison with the Group's risk tolerance level at the prevailing time and the potential for return on investment in terms of capital appreciation and dividend payment when determining whether to take up an investment opportunity for the cash held by the Group. The fair values of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges. In FY2018, the net loss from listed securities was approximately HK$6.52 million (FY2017: HK$1.82 million) including the unrealised loss on changes in fair value for HK$6.15 million (FY2017: HK$4.09 million). The management invests in these shares expecting the price will be stable and gradually increase in line with the upward trend of the global financial market.

As at 31 March 2018, the Group held the following financial assets at fair value through profit or loss:

	Number of shares	31 March 2018 HK$'000	31 March 2017 HK$'000
Equity securities listed in Hong Kong			
CNG Power (01816)	5,250,000	10,658	19,458
Equity securities listed in the PRC			
Guangdong Liantai (聯泰環保 603797)	650,000	13,814	–
Other equity securities *(Note)*		6,028	9,394
		30,500	28,852

Note: Other listed equity securities comprised 4 equity securities listed in the PRC.

Capital structure, liquidity and financial resources

As at 31 March 2018, the Group's total cash and restricted cash balances amounted to approximately HK$218.21 million (2017: HK$162.33 million) including restricted cash of HK$52.60 million (2017: HK$45.82 million) and cash and cash equivalent HK$165.61 million (2017: 116.51 million)

In FY2018, the Group's net cash generated from operating activities amounted to approximately HK$67.45 million and net cash used in investing activities and financing activities amounted to HK$11.30 million and HK$33.93 million respectively. The Group primarily uses cash inflow of operating activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

The Group did not have any borrowings as at 31 March 2018 and 2017 and thus no gearing was presented.

Exposure to fluctuation in exchange rate

The Group's transactions for our principal subsidiary in the PRC was mainly conducted in Renminbi ("**RMB**"), the functional currency of the subsidiary, and the major receivables and payables are denominated in RMB.

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 HK$. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

Capital expenditure

In FY2018 the Group's total capital expenditure amounted to approximately HK$1.26 million (FY2017: HK$3.95 million), which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 31 March 2018, the Group placed cash deposits of approximately HK$52.60 million with designated banks as collateral for Group's notes payable (2017: HK$45.82 million).

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2018 (2017: Nil).

Capital commitments

As at 31 March 2018, the Group had capital commitments for the amount of approximately HK$0.29 million (2017: HK$0.06 million) for acquisition of property, plant and equipment.

HUMAN RESOURCES

As at 31 March 2018, the Group employed a total of 250 (2017: 271) permanent employees in PRC and Hong Kong. Total employee remuneration (including directors' emoluments and benefits) in FY2018 amounted to HK$22.01 million (FY2017: HK$24.96 million). The Group provides its employees with competitive remuneration packages which were determined by their performance, qualification, experience and continued to review with reference to the level and composition of pay and general market condition. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, and discretionary incentive and share option schemes

FUTURE OUTLOOK AND PROSPECTS

In 2017, the cigarette market became gradually stable. The sales of cigarettes increased by 0.38 million boxes (0.82 %) to 47.38 million boxes compared with 2016. The company shall strive to control its operating costs, productivity improvement and minimize wastage so as to enhance profitability. We will continue to dedicate efforts in strengthening relations with existing partners as well as our relations with existing customers. We will also devote more resources to the design and quality of new products so as to explore potential customers and expand our market share.

Looking forward, we will continue with our existing businesses and focus more on locating other business opportunities with tremendous potentials, such as environmental treatment business, so as to generate higher returns for the shareholders.

EXECUTIVE DIRECTORS

Mr. ZHENG Andy Yi Sheng, aged 57, 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 & Packaging Material Company Limited ("**Shantou Xinda**") 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 54, 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 Shantou Xinda 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 71, 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 75, 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 58, 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 experience in the legal profession for more than twenty years.

SENIOR MANAGEMENT

Mr. HUANG Bongde, aged 55, 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 56, is the deputy general manager of 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 37, 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. LIAN Wei Yu, aged 35, joined the Group in October 2007 and was promoted as the factory manager of Shantou Xinda in July 2017. Mr. Lian was graduated from Guangdong University of Technology. He is responsible for material processing of the factory.

Mr. TANG Jinhai, aged 44, 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 60, 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.

The directors (the "**Directors**") of Huaxi Holdings Company Limited (the "**Company**") submit herewith their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2018.

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 2018 and the financial position of the Group as at 31 March 2018 are set out in the consolidated financial statements on pages 45 to 95 of this report.

DIVIDENDS

The Directors have recommended a final dividend of HK2.30 cents per ordinary share (2017: HK6.00 cents per ordinary share before the effect of the Share Subdivision) totalling approximately HK$15,606,000. The final dividends are subject to approval by the shareholders at the upcoming AGM. Details of the dividend for the year ended 31 March 2018 are set out in note 13 to the consolidated financial statements, the final dividend will be paid on or around 11 October 2018 to the Company's shareholders whose names appear on the register of the members of the Company on 18 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, 31 August 2018. The register of members of the Company will be closed from Tuesday, 28 August 2018 to Friday, 31 August 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all shares transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with Computershare Hong Kong Investor Services Limited (the "**Share Registrar**"), at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "**Registrar Address**"), for registration no later than 4:30 p.m. on Monday, 27 August 2018.

The register of members of the Company will also be closed from Friday, 14 September 2018 to Tuesday, 18 September 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be proposed at the AGM, all share transfer documents accompanied by the relevant share certificates and other relevant documents, if any, must be lodged with the Share Registrar at the Registrar Address for registration no later than 4:30 p.m. on Thursday, 13 September 2018.

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 8 of this annual report. This discussion form part of this directors' report.

MAJOR RISKS AND UNCERTAINTIES

The Group's customers were based in the PRC. Any change in the economic, social environment and tobacco control policies will affect the performance of the Group's core business. The Group proactively monitors industry trends, technology innovations and business strategies to the changes. Management regularly reviews the Group's operations to ensure that the Group's risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed.

The Group also faces other financial risk in the ordinary course of business, such as market risk, foreign exchange risk, cash flow and fair value interest rate rick, price risk, credit risk and liquidity risk. Details of financial risk management are set out in Note 3 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

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 96 of this 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.

BANK BORROWINGS

The Group did not have any borrowing as at 31 March 2018 and 2017.

SUBSIDIARIES

The details of the Company's principal subsidiaries as at 31 March 2018 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 provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

As at 31 March 2018, profit attributable to equity shareholders, before dividends, of approximately HK$151.10 million (31 March 2017: approximately HK$141.66 million) have been transferred to reserves. 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 48 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate revenue attributable to the Group's five largest customers accounted for approximately 93% (2017: 95%) and the largest customer accounted for approximately 65% (2017: 57%) of the Group's total revenue for the year. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 44% (2017: 49%) and the largest suppliers accounted for approximately 14% (2017: 16%) of the Group's 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 2018, 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.

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, Mr. Zheng Minsheng and Mr. Fok Po Tin shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for reelection.

Biographical details of the directors of the Company of the Group are set out on pages 9 to 10 of this 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, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No 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

During the year, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interest in any business that competes with or is likely compete with the business of the Group, as defined in the Listing Rules.

The controlling shareholders (as defined in the Listing Rules) have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 14 November 2013 (the "**Deed of Non-competition**").

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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 Ordinance.

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.

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 2018:

Category of grantees	Outstanding at 1 April 2017	Number of options granted	Number of options exercised	Number of options lapsed before Share Subdivision	Adjusted during the year (Note)	Number of options lapsed after Share Subdivision	Outstanding at 31 March 2018
Directors							
Mr. Zheng Minsheng	600,000	–	–	–	600,000	–	1,200,000
Mr. Lau Kwok Hung	200,000	–	–	–	200,000	–	400,000
Mr. Ma Wenming	200,000	–	–	–	200,000	–	400,000
Mr. Fok Po Tin	200,000	–	–	–	200,000	–	400,000
Total – Directors	1,200,000	–	–	–	1,200,000	–	2,400,000
Employees	21,290,000	–	–	700,000	20,590,000	1,520,000	39,660,000
Consultants	4,000,000	–	–	–	4,000,000	–	8,000,000
Total	26,490,000	–	–	700,000	25,790,000	1,520,000	50,060,000

Note: The number of share option was adjusted upon the Share Subdivision (Note 26 (a) to the consolidated financial statements) on 25 January 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Number of shares held (Note 1)	Number of underlying shares held (Note 2)	Total	Approximately percentage of the issued share capital of the Company
Mr. Zheng Andy Yi Sheng	Interest in a controlled corporation	450,000,000	–	450,000,000	66.32%
Mr. Zheng Minsheng	Beneficial owner	–	1,200,000	1,200,000	0.18%
Mr. Lau Kwok Hung	Beneficial owner	–	400,000	400,000	0.06%
Mr. Ma Wenming	Beneficial owner	–	400,000	400,000	0.06%
Mr. Fok Po Tin	Beneficial owner	–	400,000	400,000	0.06%

Notes:

1. These 450,000,000 Shares are beneficially owned by SXD Limited which is wholly-owned by Mr. Zheng Andy Yi Sheng. Therefore Mr. Zheng Andy Yi Sheng is deemed to be interested in the 450,000,000 Shares held by SXD Limited pursuant to Part XV of the SFO.

2. All Directors' interest in the underlying shares of the Company were the share options granted by the Company on 25 January 2015. Details of which are set out under the section headed "Share Option Scheme" above.

3. Upon the Share Subdivision became effective on 25 January 2018, pro-rata adjustments have been made to the number of shares and underlying shares of the Company accordingly.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

At 31 March 2018, to the best knowledge of the Directors, the following persons had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long positions:

Name of shareholder	Notes	Capacity and Nature of Interest	Number of ordinary shares held	Percentage of the Company's issued share capital
SXD Limited	*(i)*	Beneficially owned	450,000,000	66.32%
Mr. Zheng Andy Yi Sheng	*(i)*	Interest in a controlled corporation	450,000,000	66.32%
Ms. Chen Annie Ni	*(ii)*	Interest of spouse	450,000,000	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.

(iii) Upon the Share Subdivision became effective on 25 January 2018, pro-rata adjustments have been made to the number of shares of the Company accordingly.

Save as disclosed above, as at 31 March 2018, the Directors were not aware of any persons (other than the Directors or chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or which would be required pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

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 2018, or where applicable, up to the date of this report, are set out on pages 18 to 26 of this report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 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, 26 June 2018

The Group strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the board of directors 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 BOARD OF DIRECTORS

Composition

As at 31 March 2018, 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 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 Office, 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 reporting 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. Fok Po Tin and Mr. Ma Wenming, 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.

Professional Development of the Directors

In compliance with the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development (the "**CPD**") to develop and refresh their knowledge and skills. Upon appointment to the Board, Directors receive an induction package covering the general understanding of the Group and its businesses and operations. Meetings are also arranged with the Company's external legal adviser on directors' legal role and responsibilities. The Directors were kept informed on a timely basis of major changes on the relevant laws, rules and regulations.

The Directors are encouraged to participate in CPD to develop and refresh their knowledge and skills for discharging their duties and responsibilities as Directors. The records of the Directors participated in the continuous professional development programmes during the years are as follows:

Name of Director	Attending training courses, seminars of conference	Reading materials or updates
Mr. Zheng Andy Yi Sheng		✓
Mr. Zheng Minsheng		✓
Mr. Lau Kwok Hung	✓	✓
Mr. Fok Po Tin	✓	✓
Mr. Ma Wenming		✓

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 2018, 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 2018 was as follows:

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

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance 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 auditors; and reviewing the adequacy and effectiveness of the Company's internal control. Details of the authority and duties of the Audit Committee are on the Company's website.

During the year ended 31 March 2018, the Audit Committee held two meetings, inter alia, to review the 2017 annual results and the interim results for the six months ended 30 September 2018 of the Group; to discuss the change of auditors 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 2018, the Audit Committee met the external auditor twice without the presence of the management to discuss any areas of concerns. Members and their attendance are as follows:

Name of Directors	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 2018, 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 2018, 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 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 2018, 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 2018 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, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. During the year, an independent non-executive director was unable to attend the general meetings of the Company as he was out of town for other engagement.

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 period 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 2018.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group which gives a true and fair view and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Company deploys appropriate and sufficient resources to prepare unaudited half-yearly accounts and audited yearly accounts. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. 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 41 to page 44.

AUDITOR'S REMUNERATION

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by PricewaterhouseCoopers and considered that such services have no adverse effect on the independence of their audit works.

A summary of audit and non-audit services provided by PricewaterhouseCoopers for the year under review and their corresponding remuneration is as follows:

Nature of services	Amount HK$'000
Audit service for the year ended 31 March 2018	1,504
Other non-audit services	200

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, recognising its overall responsibility in ensuring the risk management and internal control systems of the Group and reviewing its effectiveness, is committed to implementing an effective and sound risk management and internal control systems to safeguard the interests of the shareholders (the "**Shareholders**") and the assets of the Group. The Audit Committee has been delegated by the Board to review the risk management and internal control systems.

Procedures have been designed to (i) safeguard assets from inappropriate use; (ii) maintain proper accounting records; (iii) ensure compliance with applicable laws, 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-know 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 of the Group provide a reasonable, but not absolute, assurance that material misstatement of the financial statements 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 Group maintains its internal audit function through its outsourcing to independent advisors. During the year, the Group has engaged an external professional consultant to conduct review over the Group's internal control systems in order to assist the Board in reviewing the effectiveness of the internal control systems. The reviews, normally performs once a year, have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. Relevant reports from the independent advisers were presented to and reviewed by the Board and the Audit Committee. Based on the results of internal audit reviews and the assessment of the Audit Committee thereon, no significant irregularities or deficiency in the risk management and internal control systems were drawn to the attention of the Audit Committee, but appropriate recommendations for further enhancing the internal control systems have been taken. The Board therefore considers that the Company has maintained appropriate and effective risk management and internal control systems.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2018.

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 Chairman of 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 2018, 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

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

An up to date version of the Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Company's Articles of Association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huaxihds.com.hk) immediately after the relevant general meetings.

ABOUT THIS REPORT

Our work on environmental, social and corporate governance of the Group alongside its subsidiary Shantou Xinda was prepared by the board of directors of the Group, which is also responsible for their execution and implementation for the purposes of ensuring that the Group has fully achieved sustainability and core corporate values over the course of its operation and development.

This environmental, social and governance report ("**Report**") presented by the Group is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, among which, the section with regard to corporate governance is referred to the Corporate Governance Report on Pages 18 to 26 of this Report. Data as disclosed in this Report is derived from the in-house statistics and analysis of the Group.

REPORTING SCOPE AND TIME

The Group is principally engaged in producing and distributing cigarette-related packing materials. Following the first river ecosystem restoration project undertaken by its non-wholly owned subsidiary Guangdong Foxin Environmental Management Co., Ltd. in the early 2016, our business expanded to the environmental protection sector. This Report covers the production and distribution of cigarette-related packaging materials and environmental protection business, as well as the related information for the period from 1 April 2017 to 31 August 2018.

CORPORATE OVERVIEW

Huaxi is the fourth largest supplier of cigarette-related 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 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 (being Shantou Xinda) 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.

OUR SUSTAINABILITY PRINCIPLE

Being committed to our business development, the Group places an emphasis on the level of environmental protection to our business operations, while striving to meet the sustainability requirements over the course of pursuing premium quality in both our products and services.

By incorporating the standards and requirements of the environmental philosophy, environmental management, and community contribution to our operation and development, the Group strives to strengthen and apply environmental technologies to our actual production activities, and focuses on collaboration with professional organizations and institutions at home and abroad, all of which ensure our business development is in compliance with the regulations and requirements of the jurisdiction where our business operates with regard to environmental and sustainable development.

A. ENVIRONMENT

The Group assumes the environmental obligations during its business activities, and believes that our business growth is closely connected to environmental sustainability. To reduce waste and promote efficient use of resources, the Group has formulated environmental guidelines and introduced various ecofriendly initiatives. Through communications and education, we actively encourage our employees as a whole to protect the environment by fulfilling their environmental responsibility at both their workplace and daily life. As the environmental industry is a strategic emerging industry underscored by the "13th Five-year Plan", the Company, as a first-rate service provider in the environmental industry, believes that such strategies will accelerate the development of the environmental industry in China.

The Group has been in compliance with various environmental laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, and the *Law of the People's Republic of China on Prevention and Control of Water*. During the reporting period, the Group did not identify any report on any non-compliant case as to environmental protection.

A1. Emissions

1.1 Air Emissions

In accordance with various policies, including the *Integrated Emission Standard of Air Pollutants, Hygiene Standards for Industrial Enterprises*, and *Vehicle Exhaust Emission Pollution Control Ordinance of Guangdong Province of the PRC*, we formulate and ensure the environmental policies and facilities of the Company in compliance with national and local regulatory standards.

- No air emissions are directly generated from production activities undertaken by the subsidiaries of the Group, but waste gas may come from such pollutants as benzene derivatives and total volatile organic compounds (TVOCs) that evaporate from solvents used for producing materials. Installed with waste gas collectors, our production workshops and production facilities can immediately collect waste gas to ensure proper treatment of polluting sources, and such collected waste gas is absorbed by active carbon and purified through the UV photolysis process. Only when environmental standards are met, such collected waste gas will be discharged. On the other hand, the Company is currently improving and upgrading our waste gas collection and processing system in order to optimize our waste gas processing capacity.

1.2 Greenhouse Gas Emissions

Global warming and climate change have become major environmental issues across the world. The carbon footprint of the Group comes from greenhouse gas emissions indirectly generated from our electricity consumption. The Group is committed to reducing the environmental impact of its business operations and carbon emissions, while continuing to promote and adopt high-efficiency or energy-efficient production equipment. In addition, we actively promote energy conservation and emission reduction among our employees to enhance their environmental awareness. During the reporting period, the Group has applied a number of measures to reduce greenhouse gas emissions:

- Transportation service providers and self-operated vehicles are strictly required to meet the environmental standards of vehicle emissions and obtain environmental and green standards. We take the initiative to understand and ensure that our suppliers are in compliance with the laws and regulations on waste gas emissions. Our purchase of new equipment or adoption of new solutions shall pass environmental assessments, while new employees are required to participate in training to develop their basic environmental awareness and understand the relevant emission requirements.

- To reduce electricity consumption, photocopiers and printers are powered off after office hours, and all outlets are unplugged when devices are idle.

- The employees of the Group shall minimize business trips and try to contact customers or suppliers by email or telephone unless it is urgent. Use of transportation vehicles, such as airplanes, trains, or automobiles, shall be reduced to minimize greenhouse gas emissions.

- In order to prevent and reduce greenhouse gas emissions, as well as to conserve energy, our offices, factories and staff quarters shall power off air conditioners, lighting and equipment that are not in use. To reduce emissions and reduce electricity consumption, all premises are installed with energy-saving lighting fixtures and light bulbs to replace non-energy-saving devices.

- In order to identify ways to improve energy efficiency, the Group measures and records electricity consumption from time to time.

During the reporting period, the total greenhouse gas emissions of the Group amounted to 3,731 tonnes of carbon dioxide.

Management of Solid Waste
The Group strictly monitors its production of wastes during operations, and constantly improves its waste disposal methodologies. We assure that the Group's environmental protection policies and facilities comply with national and local regulatory standards. The Group understands the importance of reducing waste at source and recycling, thus maximizing the use of existing resources in our daily operation and promoting waste reduction and classification. While developing our business, we save energy and operating costs at the same time to eventually preserve resources and protect the environment.

- We contracted a third-party professional waste disposal company, being Shenzhen Baoan Dongjiang Environmental Technology Co., Ltd., which is commissioned to handle hazardous waste generated during production, including but not limited to ink waste, spent light tubes, waste cloth, empty barrels, used activated carbon.

- The non-hazardous waste generated by the Company is mainly domestic waste, which is regularly collected and disposed by the cleaning service provider appointed by the management committee of the industrial park where our production facilities are located.

- With regard to policies and initiatives for disposal/reduction of waste, the Group actively recycles, categorizes, and reuses raw material leftovers, paper, and other waste generated from our production activities.

- Amid a growing awareness of waste reduction and simplification of packaging, the Group follows the practice of double-side printing, and sets password confirmation to prevent printing by mistake and wasting paper.

During the reporting period, the Group generated 987.78 tonnes of solid waste, among which, the hazardous waste amounted to 0.78 tons, while the non-hazardous waste was 987 tons.

Indicators		2018
Solid waste	Hazardous (Tonne)	**0.78**
	Non-hazardous (Tonne)	**987.00**

Waste Water Management

Factories of the Group are mainly engaged in the production of cigarette-related packaging materials, and there is no generation of industrial waste water over the course of production. Therefore, waste water is mainly comprised of those from the canteens, kitchens, kitchen waste, and domestic water. In this regard, the Group has been in compliance with the *Environmental Protection Law of the People's Republic of China*, and has formulated our internal standards to control and reduce discharge of waste water, the policies and measures of which include:

- Waste water generated by the canteen is directed into the integrated wastewater treatment equipment through a specialized pipeline for purification purposes to ensure that the drainage water quality meets the national standards.

- Water treated by the integrated wastewater treatment equipment is in compliance with Level 1 Standard Emission for the Second Time Slot of Type II Pollutants under the *Guangdong Provincial Water Pollutant Emission Limits* (DB44/26-2001).

- An in-house inspection taskforce is established and arranges the appointment of a qualified professional institution to conduct regular and irregular inspection and testing of discharged water.

- We accept water sample inspection conducted by the Longhu District Bureau of Environmental Protection, Shantou City, on a regular basis.

During the reporting period, the Group purified and treated 2,920 tonnes of waste water.

Indicator		2018
Waste water from canteens	Annual treatment capacity (Tonne)	**2,920**

A2. Use of Resources

In recent years, the Group has strengthened its efforts of environmental protection by actively promoting efficient use of resources and adopting green technologies to conserve energy. By encouraging our employees to practice green office management, the Group has enhanced the awareness of resource conservation in the workplaces. Striving to save and reduce resource consumption, the Group maximizes its efforts to recycle materials and reduce manufacturing waste.

2.1 Water Conservation

Besides adopting various initiatives to improve the efficiency of water consumption, the Group encourages the responsible habit of using water. To this end, we adopt various initiatives, including:

- Water consumption facilities in offices, factories, and staff quarters are kept in check so that remedial actions may be taken immediately in case of any leak or dripping.

- As our factories are located in the southern areas that receive abundant rainfall, the Group collects and filters rainwater from our landscape pools within the industrial park, which will be used as recycled cooling water for our equipment, and to replenish firefighting water.

- Actual use of water will be checked at the end of each month to conduct a targeted analysis over excessive water consumption and implement measures for improvement.

- Water-saving slogans are posted to promote the awareness of conservation among our employees and visitors.

- Water-saving function is an important factor to be taken into consideration when we purchase water-related equipment

During the reporting period, the Group reported total water consumption of 25,290 tonnes.

Indicator	2018
Water consumption (Tonne)	25,290

2.2 Energy Conservation

- To value energy consumption, the Group has taken various measures to improve efficient use of resources, and strive to minimize energy consumption. The major measures include:

  - Old models of traditional air conditioners are replaced with the variable frequency energy-saving air conditioners to save electricity.

  - A portion of equipment is installed with the waste heat recovery system to collect and recycle the waste heat generated from our production activities.

  - Use of refrigerating machines is minimized at night.

  - High-power electric lamps are replaced with the LED energy-saving lamps.

  - Traditional gas water heaters will be gradually phased out with electric water heaters in the staff quarters.

During the reporting period, the Group reported electricity consumption of 3,668,220 kilowatt hours, and LPG consumption of approximately 9,936 kilograms.

Indicators	2018
Electricity consumption (kWh)	3,668,220
LPG consumption (kg)	9,936

A3. Environmental and Natural Resources

The Group undertakes to conduct our business operations by paying close attention to the environment, and is committed to minimizing the impacts brought by our operations on the environment. In this connection, the Group introduces the relevant policies and measures, including:

- As our factories are located in the southern areas that receive abundant rainfall, the Group collects and filters rainwater from our landscape pools within the industrial park, which will be used as recycled cooling water for our equipment, and to replenish water for firefighting and irrigating plants.

- To reduce use of bottled water and styrofoam lunch boxes, the canteens of the Group provide reusable cups and cutlery, which are also properly disinfected.

- Printer toner cartridges, rechargeable batteries and optical discs are collected for recycling purposes.

- Cartons and trays are placed next to printers to collect and recycle reusable single-sided and paper.

- We negotiate with our customers to recycle some of the reusable shipping containers and packaging materials.

- We are in active discussion with our customers and material suppliers on the application of ecofriendly materials, including but not limited to, promotion of water-soluble inks in our products by changing oil-based inks to more environmentally-friendly water-soluble inks, and replacing traditional glue with benzene-free glue that is ecofriendly.

By continuously improving our environmental management system, as well as strengthening the supervision and management, the Group strives to minimize the impact of production and operation activities on the local environment. At the same time, we will strengthen the forestation and landscaping efforts in the factories by reserving green space within the factory premises. This allows us to plant a large quantity of flowers and trees, creating a healthy and comfortable working environment for our employees.

B. SOCIAL RESPONSIBILITY

The Group recognizes that the employees are more than the cornerstone of our brand development, as they represent important assets of the Group. On the other hand, the Group is convinced that an aggressive and well-structured talent pool plays a critical role in establishing the sustainable operation model and generating long-term returns. Therefore, the Group values and protects various legitimate rights and interests of our employees by providing our employees with good career development opportunities, paying attention to their individual health and safety, and caring for their well-being. In addition, the Group is committed to creating a comfortable and satisfying workplace for our employees. In doing so, our employees will make progress alongside the growth of the Group.

B1. Employment

The Group does not discriminate against any employee in terms of recruitment, compensation, benefits, training, promotion and development. We stress great importance to the interests and development of our employees, as the talents will help build a business success, while the business success will complete the talents. In addition, we have established a series of procedural systems and frameworks that cover all aspects of human resources management, including compensation and benefits, recruitment and promotion, attendance management, and performance management.

1.1 Employees

Currently, the majority of the employees of the Group are stationed in China. As of 31 August 2018, the Group employed a total of 242 full-time employees at Shantou Xinda and GD Foxin, details of which are set out as follows:

By age		By gender	
≤25	8%	Male	70%
26–35	30%	Female	30%
36–45	31%		
46–55	25%		
≥56	6%		
	100%		100%

Length of service	Number	Percentage
≤3 years	42	17%
3–5 years	29	12%
5–8 years	72	30%
8–10 years	37	15%
≥10 years	62	26%

As at 31 August 2018, approximately 71% of the employees served for five years or more at the Group, with a comparatively low turnover rate of the employees at the administrative positions. These figures reflect that our employees have great satisfaction with and a strong sense of belonging at the Group.

1.2 Remuneration

The employees of the Company come from various cities in provinces across China without any form of geographical discrimination. Under the principle of equal pay for men and women at the same position, the Group is committed to providing opportunities for employees to tap into their potential, while their salary will be based on their knowledge and skills. The Group adjusts its remuneration package with reference to the performance of the Group and market conditions to ensure that the remuneration is similar to the industrial peers, and to motivate our employees.

1.3 Recruitment, Promotion, and Dismissal

The Group conducts recruitment in an open and fair manner, pursuant to which, regardless of their sex, professional talents are introduced with reference to individual qualifications, skills and the requirements of the Group for the purposes of realizing our objective of continuous innovation and evolution. In addition, the Group is in strict compliance with laws and regulations governing employee recruitment.

The Group is committed to developing a fair working environment. In order to provide equal opportunities of promotion to each employee, the Group has established a series of assessment procedures to evaluate the performance of each employee in a more comprehensive and objective manner before determining the promotion of the desired candidates. We oppose any form of discrimination, and hiring and promotion opportunities available to candidates will not be affected by their physical disability. Therefore, candidates with disability may also have the opportunity to work and become self-reliant.

The Group has been in compliance with the requirements under the *Employment Ordinance* of the Hong Kong and the *Labor Contract Law of the People's Republic of China*. Where any employee fails to perform his/her current position, such employee will receive training or be transferred to another position. In case that such employee continues to fail the position, the Group will terminate the employment relationship in accordance with the laws and regulations.

1.4 Employee Benefits

The Group provides competitive benefits to all full-time employees, and formulates fringe benefits in accordance with the laws and regulations of Hong Kong and China, including work-related injury insurance for new employees, and the insurance package that comprises five insurances and the housing fund for formal employees (including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund), production performance bonus, holiday bonus and annual bonus, staff quarters, staff canteen, travel allowance, birthday party, employee retreat, and regular corporate events (such as singing, sports, tourism, and various themed entertainment activities).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1.5 Development and Training

The Group recognizes the importance of skilled and professionally trained employees in our business development and future success. The Group encourages our employees to pursue continued learning or participate in training sessions by providing on-the-job training allowances to advance personal growth and professional development. During the reporting period, the Group organized a total of 17 training programs, under which, a total of approximately 300 training sessions were arranged for the participants, and they accumulated over 650 hours of training.

The specific training programs comprise:

- Corporate management policies and objectives, department targets, and KPI training
- Product quality and safety training

- Risk and opportunity response strategies
- Fire drill
- Key position and professional skill training
- 5S (namely, Seiri, Seiton, Seiso, Seiketsu, and Shitsuke) workplace management training
- Food safety law training
- Team execution training
- Internal auditor training

1.6 Health and Safety

According to our health and safety policy, the Group aims to create a safe working environment, maintain a high level of safety, health and welfare, and take all reasonable and feasible safety measures to protect the safety of all on-site personnel and the public. On the other hand, the Group adopts all feasible measures to minimize our impacts in the vicinity. Our environmental management system conforms to the ISO 14001 standard, and we are also awarded by the Chinese authority the GB/T28001 occupational health and safety management system certification.

Besides committing itself to providing a safe and healthy working environment for all employees, the Group is in strict compliance with the relevant laws, regulations and policies on occupational health and safety, including the *Safety Production Law of the People's Republic of China, Labor Law of the People's Republic of China, and Regulations on Production Safety of Guangdong Province*. Furthermore, we arrange staff training, whereby instilling workplace safety concepts, and strengthening our employees' awareness of their own safety. To constantly improve the workplace safety, the Group provides our employees with qualified personal protective equipment, and implements environmental protection measures to ensure that all hazardous materials meet the national standards.

The Group actively identifies potential occupational risks to reduce the chances of accidents sustained by our employees. For example, all employees are required wear slip-resistant footwear and gloves, and life jackets are required for overwater operating activities to prevent injuries. In the event of a work-related accident (if any), the Human Resources Department of the Group must be notified and an independent assessment shall be conducted in accordance with internal guidelines. During the year, the Group did not receive any report on accidents and work-related injuries, deaths or major accidents.

1.7 Labour Standard

We value and observe the regulations of the People's Republic of China and Hong Kong governing employment to safeguard the rights and benefits of our employees. The Company prohibits the use of child labour or forced labour during all of our business operations. During the reporting period, we did not violate any law and regulation with respect to employment and labour.

1.8 Supply Chain Management

The Group stresses great importance to the mutually beneficial partnership with suppliers in the long term. By designing a survey and assessment system to approve suppliers, we have established a list of qualified suppliers. We perform regular assessments over our suppliers in terms of their supply capacity, product quality, service, integrity, and many other areas. For example, we pay visits to their production facilities to ensure product quality. Our select suppliers are based on criteria such as quality, pricing, delivery turnaround time, and supplier's strength and experience. Furthermore, we will prioritize suppliers who can fulfill their environmental responsibility.

1.9 Product Responsibility

Being an enterprise with a strong sense of corporate social responsibility, the Group has obtained the GB/T19001-2008 and ISO9001:2008 certification for our quality management system. Our internal control standards for the products delivered by the Company are in compliance with the national standards. Subject to a well-established traceability system designed for product batches, any product can be traced back to every stage of the whole production process to ensure the quality of the delivered goods. By reference to the *Product Quality Law of the People's Republic of China*, our product quality is fully guaranteed from purchase of raw materials to production process, final product inspection and warehousing logistics. With regard to product quality assurance, the Company always continues the pursuit of and advancement towards better and more advanced technologies and approaches in an expanded range. During the report period, some of our major customers adopt the QR code technique for the traceability management of some of their products, which further improves our quality monitoring system.

1.10 Anti-corruption

The employees of the Group are required to understand better actions related to bribery, extortion, fraud, and corruption. In order to address and reduce the risk of corruption, the Group has formulated a set of guidelines in connection with offer and receipt of gifts, provision of meals, accommodation and entertainment, and engagement with government officials, whereby stating permitted and prohibited actions to be taken by our employees in their daily business activities. This ensures that every employee is required to make ethical business decisions in compliance with applicable laws and regulations. To ensure that all business transactions with government officials are conducted without any form of corruption, the Group pays closer attention and enters into the honesty and law compliance agreement with each employee.

During the reporting period, the Group did not identify any legal proceeding in connection with corruption.

1.11 Community Investment

Recognizing the importance of communications and engagement with communities, the Group enthusiastically participates in charity campaigns to develop good community relations. For example, by joining the Council of Shantou City Longhu District Charity Organization and the Longhu District Social Security Welfare Association in Shantou City, Guangdong Province, as a business member, Shantou Xinda, a wholly-owned subsidiary of the Group, is proactively involved in public welfare campaigns organized by these two public interest organizations.

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 45 to 95, which comprise:

- The consolidated statement of financial position as at 31 March 2018;
- 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 2018, 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 judgement, 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 matter.

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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 2.20(a) and Note 6 to the consolidated financial statements Revenue from sales of cigarette packaging products for the year ended 31 March 2018 amounted to HK$206,812,000, which represents 99% 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 the 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 in the Group's sales process. We sent confirmations to selected customers to confirm the amounts of sales for the year ended 31 March 2018. 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 recognised 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 judgement 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 Ho Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2018 HK$'000	2017 HK$'000
Revenue	*6*	**209,084**	260,262
Cost of sales	*7*	**(133,754)**	(165,775)
Gross profit		**75,330**	94,487
Distribution costs	*7*	**(2,224)**	(2,618)
Administrative expenses	*7*	**(28,326)**	(39,544)
Other (losses)/gains — net	*9*	**(9,327)**	757
Operating profit		**35,453**	53,082
Finance income	*10*	**4,907**	3,053
Profit before income tax		**40,360**	56,135
Income tax expense	*11*	**(9,100)**	(15,107)
Profit for the year		**31,260**	41,028
Profit/(Loss) attributable to:			
— Owners of the Company		**32,215**	48,199
— Non-controlling interests		**(955)**	(7,171)
		31,260	41,028
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Currency translation difference		**33,200**	(19,476)
Other comprehensive income for the year, net of tax		**33,200**	(19,476)
Total comprehensive income for the year		**64,460**	21,552
Total comprehensive income attributable to:			
— Owners of the Company		**65,773**	28,845
— Non-controlling interests		**(1,313)**	(7,293)
		64,460	21,552
			Restated
Earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)	*12*		
— Basic earnings per share		**HK 4.75 cents**	HK 7.10 cents
— Diluted earnings per share		**HK 4.60 cents**	HK 7.01 cents

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 50 to 95.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2018 HK$'000	31 March 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**40,893**	40,383
Prepaid operating lease	*16*	**6,212**	5,756
Deferred tax assets	*17*	**4,148**	2,442
Prepaid expenses		**509**	–
Prepayments for non-current assets	*18*	**–**	118
		51,762	48,699
Current assets			
Inventories	*19*	**33,095**	29,760
Trade receivables	*20*	**103,071**	115,546
Amounts due from customer for contract work	*21*	**10,493**	22,098
Financial assets at fair value through profit or loss	*22*	**30,500**	28,852
Prepayments and other receivables	*23*	**985**	1,369
Restricted cash at banks	*24*	**52,600**	45,819
Cash and cash equivalents	*25*	**165,608**	116,507
		396,352	359,951
Total assets		**448,114**	408,650
EQUITY			
Equity attributable to owners of the Company			
Share capital	*26*	**3,393**	3,393
Other reserves	*27*	**208,637**	174,254
Retained earnings		**126,102**	127,812
		338,132	305,459
Non-controlling interests		**(4,155)**	(2,842)
Total equity		**333,977**	302,617

	Note	31 March 2018 HK$'000	31 March 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*17*	**8,014**	6,212
Current liabilities			
Trade and notes payable	*28*	**77,393**	71,196
Other payables and accruals	*29*	**18,800**	19,889
Current income tax liabilities		**9,930**	8,736
		106,123	99,821
Total liabilities		**114,137**	106,033
Total equity and liabilities		**448,114**	408,650

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 50 to 95.

The consolidated financial statements on pages 45 to 95 were approved by the board of directors on 26 June 2018 and were signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 26)*	**Other reserves** HK$'000 *(Note 27)*	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
Year ended 31 March 2017						
Balance at 1 April 2016	3,393	191,600	113,630	308,623	4,451	313,074
Comprehensive income						
— Profit/(Loss) 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
Year ended 31 March 2018						
Balance at 1 April 2017	**3,393**	**174,254**	**127,812**	**305,459**	**(2,842)**	**302,617**
Comprehensive income						
— Profit/(Loss) for the year	**–**	**–**	**32,215**	**32,215**	**(955)**	**31,260**
— Other comprehensive income	**–**	**33,558**	**–**	**33,558**	**(358)**	**33,200**
Total comprehensive income	**–**	**33,558**	**32,215**	**65,773**	**(1,313)**	**64,460**
Dividends	**–**	**–**	**(33,925)**	**(33,925)**	**–**	**(33,925)**
Value of employee services under share option scheme *(Note 27)*	**–**	**825**	**–**	**825**	**–**	**825**
Balance at 31 March 2018	**3,393**	**208,637**	**126,102**	**338,132**	**(4,155)**	**333,977**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 50 to 95.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	*30*	**76,415**	36,400
PRC enterprise income tax paid		**(8,962)**	(14,794)
Net cash generated from operating activities		**67,453**	21,606
Cash flows from investing activities			
Purchase of property, plant and equipment and other non-current assets		**(1,258)**	(2,703)
Net proceeds from disposal of property, plant and equipment		**–**	92
Increase in restricted cash at banks		**(6,781)**	(6,625)
Purchase of financial assets at fair value through profit or loss		**(17,051)**	(19,091)
Net proceeds from disposal of financial assets at fair value through profit or loss		**8,882**	26,507
Interest income from other financial assets		**3,011**	2,695
Interest income from bank deposits		**1,896**	519
Net cash (used in)/generated from investing activities		**(11,301)**	1,394
Cash flows from financing activities			
Decrease in amounts due to a related party		**–**	(2,000)
Dividends paid		**(33,925)**	(33,925)
Net cash used in financing activities		**(33,925)**	(35,925)
Net increase/(decrease) in cash and cash equivalents		**22,227**	(12,925)
Cash and cash equivalents at beginning of the year		**116,507**	140,625
Effect of change in exchange rate		**26,874**	(11,193)
Cash and cash equivalents at end of the year	*25*	**165,608**	116,507

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 50 to 95.

1 GENERAL INFORMATION

Huaxi Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is at the Clifton House, P.O. Box 1350, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in (i) manufacturing and sales of cigarette packaging materials; and (ii) environmental treatment business in the People's Republic of China (the "**PRC**") for the year ended 31 March 2018.

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 26 June 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted 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

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Companies Ordinance (Cap.622) ("HKCO")

These consolidated financial statements of the Group have been prepared in accordance with HKFRS and the disclosure requirements of HKCO.

(b) Historical cost convention

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.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2017:

- Amendments to HKFRS 7 "Statement of cash flows: additional disclosure to evaluate changes in liabilities arising from financing activities"
- Amendment to HKFRS12 "Disclosure of interest in other entities: clarifies that the disclosure requirement of HKFRS12 is applicable to interest in entities classified as held for sale except for summarised financial information"
- Amendments to HKAS12 "Income taxes: clarify how to account for deferred tax assets related to debt instruments measured at fair value"

The adoption of these amendments did not have any material impact on the amounts recognised in current period or any prior periods and is not likely to materially affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and interpretations not yet adopted

The following standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018 or when the entity first applies HKFRS 9
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendment to HKAS 40	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to have material impact to the consolidated financial statements of the Group, besides the following:

(i) 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: amortised 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 through profit or loss. 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: amortised 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 recognised 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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and interpretations not yet adopted *(continued)*

(i) 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 amortised cost a day-one loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-one 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. The directors consider the impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

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 HKAS 39.

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.

(ii) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise 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) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise 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 capitalisation 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 and does not expect there will be significant change to the Group's existing revenue recognition policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and interpretations not yet adopted *(continued)*

(iii) HKFRS 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 recognised. 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$2,481,000 (Note 31). Management does not consider the adoption of this standard will have material impact on the financial position of the Group.

2.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) 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.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation *(continued)*

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(d) 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 is 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

(a) 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").

(b) 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 (losses)/gains — net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary 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 profit or loss 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 (losses)/gains — net" in consolidated statement of comprehensive income.

Construction in progress represent decorations to buildings under construction, and are stated at cost. Costs include construction costs. No provision for depreciation is made on construction in progress 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 Impairment of non-financial assets

Assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Investments and other financial assets

(a) 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 investments were acquired. Management determines the classification of its investments at initial recognition.

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

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

The Group's loans and receivables comprise "Trade receivables", "Prepayments and other receivables", "Amounts due from customer for contract work", "Restricted cash at banks" and "Cash and cash equivalents" in the consolidated statement of financial position.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value and dividends of the "Financial assets at fair value through profit or loss" category are presented in the income statement within "Other (losses)/gains — net".

2.9 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)*

2.10 Impairment of financial assets

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.

Assets carried at amortised cost

For loans and receivables, 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 an instruments' fair value 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.

2.11 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 the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 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.

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 to customers for contract works) where the opposite is the case.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

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

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.17 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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 Employee 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 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).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. 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 profit or loss, 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 (nominal value) and share premium.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(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 incurred and to be incurred 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Revenue recognition *(continued)*

(b) Construction contracts *(continued)*

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.

2.21 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.

2.22 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.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as expenses in consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised as income in consolidated statement of comprehensive income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.24 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 shareholders 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, 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.

(a) Market risk

(i) Foreign exchange risk

The Group 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 2018 HK$'000	31 March 2017 HK$'000
Denominated in HK$		
— Cash and cash equivalents	**9,499**	19,831
— Financial assets at fair value through profit or loss	**10,658**	19,458
— Other receivables	**399**	591
— Other payables and accruals	**(805)**	(1,258)
	19,751	38,622
Denominated in US$		
— Cash and cash equivalents	**337**	328

As at 31 March 2018, if RMB had strengthened/weakened by 2% (2017: 2%) against the relevant foreign currencies with all other variables held constant, post-tax profit for the year would have been approximately HK$402,000 (2017: HK$779,000) lower/higher.

(ii) 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 1.57% (2017: 0.35% to 1.56%). As at 31 March 2018, 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$926,000 (2017: HK$688,000) 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)*

(a) Market risk *(continued)*

(iii) Price risk

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

As at 31 March 2018, 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$2,576,000 (2017: HK$2,423,000).

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash at banks, trade receivables, amounts due from customer for contract work and other receivables.

As at 31 March 2018, substantially all (2017: same) of 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 (2017: same).

As at 31 March 2018, approximately 94.0% (2017: 97.3%) of the Group's trade receivables were due from the five largest customers, while approximately 83.2% (2017: 84.6%) of the Group's trade receivables were due from the largest customer, which are prominent cigarette manufacturers in the PRC.

None of the Group's trade receivables and other receivables has any 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 collection experience and other factors. Credit limits 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.

(c) 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The table below set out the Group's financial liabilities by relevant maturity grouping at the end of the reporting period. 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 2018 HK$'000	31 March 2017 HK$'000
Within one year:		
Trade and notes payable	**77,393**	71,196
Other payables and accruals	**7,488**	9,833
	84,881	81,029

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, issue new shares 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 2018 (2017: 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:

	Level 1 HK$'000
Financial assets	
— at fair value through profit or loss	
at 31 March 2018	**30,500**
at 31 March 2017	28,852

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 amounts of trade and other receivables, trade and notes payable and other payables and accruals approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Income taxes and deferred taxation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

Property, plant and equipment and prepayment for non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing:

(i) whether an event has occurred that may indicate that the related asset values may not be recoverable;

(ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and

(iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4.3 Estimated impairment of inventories

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

4.4 Estimated impairment of receivables

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

5 SEGMENT INFORMATION

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

For the year ended 31 March 2017, the Group is principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the "**Cigarette Packaging Business**") and environmental treatment business (the "**Environmental Treatment Business**"), both of which contributed to more than 10% of the Group's revenue and were separately presented in segments information.

For the year ended 31 March 2018, the Environmental Treatment Business amounted to less than 10% of the Group's revenue, the directors considered that the disclosure of this segment information would still be useful for users of the financial statements to better understand the financial performance of the Group.

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.

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 2018 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Others HK$'000	The Group HK$'000
Revenue	206,812	2,272	–	209,084
Segment results	44,238	(2,028)	(236)	41,974
Other losses arising from financial assets at fair value through profit or loss				(6,521)
Operating profit				35,453
Finance income				4,907
Profit before income tax				40,360
Income tax expense				(9,100)
Profit for the year				31,260
Other segment item				
Depreciation and amortisation	4,685	315	82	5,082

5 SEGMENT INFORMATION *(continued)*

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 arising from financial assets at fair value through profit or loss				(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

The segment assets and liabilities at 31 March 2018 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	422,128	18,871	2,734	(30,267)	413,466
Financial assets at fair value through profit or loss					30,500
Deferred tax assets					4,148
Total assets					448,114
Segment liabilities	95,731	14,620	16,109	(30,267)	96,193
Current income tax liabilities					9,930
Deferred tax liabilities					8,014
Total liabilities					114,137
Capital expenditures	936	322	–	–	1,258

5 SEGMENT INFORMATION *(continued)*

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

6 REVENUE

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Sales of cigarette packaging products	**206,812**	229,352
Revenue from construction contract	**2,272**	29,312
Others	**–**	1,598
	209,084	260,262

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

	Year ended 31 March	
	2018	2017
Customer A	**64.9%**	57.2%
Customer B	**23.8%**	23.5%
Customer C	**Not applicable***	11.3%

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

All of the Group's sales are carried out by its subsidiaries in the PRC for the year ended 31 March 2018 (2017: same).

7 EXPENSES BY NATURE

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Cost of inventories sold	**120,052**	125,758
Staff costs (including directors' emoluments) *(Note 8)*	**22,008**	24,958
Raw materials consumed and subcontracting costs for construction contract	**–**	19,163
Depreciation and amortisation	**5,082**	4,954
Utilities	**4,075**	5,218
Other taxes and surcharge	**2,265**	2,790
Transportation expenses	**1,652**	2,039
Operating lease expenses	**1,533**	1,934
Auditor's remuneration for audit services	**1,504**	1,500
Office expenses	**786**	1,050
Travelling expenses	**427**	579
(Reversal)/provision for impairment of trade and other receivables	**(232)**	660
Provision for impairment of a non-current asset	**–**	11,264
Other expenses	**5,152**	6,070
Total cost of sales, distribution costs and administrative expenses	**164,304**	207,937

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**19,574**	21,555
Contributions to pension plans	**1,609**	1,487
Value of employee services under share option scheme *(Note 27(c))*	**825**	1,916
	22,008	24,958

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 2018					
Executive:					
Mr. Zheng Andy Yi Sheng *(i)*	**500**	**111**	**18**	**–**	**629**
Mr. Zheng Minsheng	**400**	**111**	**18**	**22**	**551**
Independent non-executive:					
Mr. Lau Kwok Hung	**120**	**–**	**–**	**7**	**127**
Mr. Ma Wenming	**120**	**–**	**–**	**7**	**127**
Mr. Fok Po Tin	**120**	**–**	**–**	**7**	**127**
	1,260	**222**	**36**	**43**	**1,561**
For the year ended 31 March 2017					
Executive:					
Mr. Zheng Andy Yi Sheng *(i)*	500	109	11	–	620
Mr. Zheng Minsheng	400	109	11	43	563
Independent non-executive:					
Mr. Lau Kwok Hung	107	–	–	14	121
Mr. Ma Wenming	107	–	–	14	121
Mr. Fok Po Tin	107	–	–	14	121
	1,221	218	22	85	1,546

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

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 2018, 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 (2017: same). No consideration was provided to or receivable by third parties for making available directors' services (2017: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: 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 2018 or at any time during the year (2017: same).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 2 directors (2017: 2), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals (2017: 3) during the year are as follows:

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Salaries, wages, bonuses, welfare and other benefits	**1,489**	1,490
Contributions to retirement schemes	**56**	51
Value of employee services under share option scheme	**44**	87
	1,589	1,628

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

	Year ended 31 March	
	2018	2017
Emolument bands		
— Nil to HK$1,000,000	**3**	3

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

(d) Senior management's emoluments by band

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

	Year ended 31 March	
	2018	2017
Emolument bands		
— Nil to HK$1,000,000	**4**	3

9 OTHER (LOSSES)/GAINS — NET

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Foreign exchange (losses)/gains	**(2,806)**	2,576
Dividend income from financial assets at fair value through profit or loss	**556**	411
(Losses)/gains on disposal of financial assets at fair value through profit or loss	**(930)**	1,855
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	**(6,147)**	(4,085)
	(9,327)	757

10 FINANCE INCOME

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Interest income from bank deposits	**1,896**	519
Interest income from other financial assets *(a)*	**3,011**	2,534
	4,907	3,053

(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 2018, all such other financial assets were redeemed (2017: 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 subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

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

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

On 9 November 2017, the Group's major operating subsidiary in the PRC successfully renewed the High and New Technology Enterprise Certificate ("**the Certificate**") which was effective for three years commencing on 1 January 2017. The applicable income tax rate of this subsidiary was 15% for the year ended 31 March 2018 (2017: 15%).

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 dividends 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.

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Current income tax		
— PRC corporate income tax	**7,987**	12,547
Deferred income tax		
— PRC corporate income tax	**(1,370)**	(517)
— Withholding income tax for profit to be distributed from the PRC	**2,483**	3,077
	9,100	15,107

No income tax charges relating to components of other comprehensive income existed for the year ended 31 March 2018 (2017: nil).

11 INCOME TAX EXPENSE *(continued)*

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

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Profit before income tax	**40,360**	56,135
Tax calculated at applicable corporate income tax rate of the respective companies	**8,251**	6,202
Tax effect of:		
— Income not subject to tax	**(1,095)**	–
— Additional deduction on research and development expenses	**(768)**	–
— Expenses not deductible for income tax	**132**	3,083
— Tax losses for which no deferred income tax asset was recognised	**97**	2,745
— Withholding income tax for profit to be distributed from the subsidiaries in the PRC	**2,483**	3,077
	9,100	15,107

12 EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 March 2018 has been retroactively adjusted for the Share Subdivision (as defined in Note 26 (a)).

(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	
	2018	2017
Profit attributable to owners of the Company (HK$'000)	**32,215**	48,199
Weighted average number of ordinary shares in issue *(c)*	**678,500,000**	678,500,000
Basic earnings per share	**HK 4.75 cents**	HK 7.10 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	
	2018	2017
Profit attributable to owners of the company (HK$'000)	**32,215**	48,199
Weighted average number of ordinary shares in issue *(c)*	**678,500,000**	678,500,000
Adjustments for share options *(c)*	**21,839,000**	8,611,000
Weighted average number of ordinary shares for diluted earnings per share	**700,339,000**	687,111,000
Diluted earnings per share	**HK 4.60 cents**	HK 7.01 cents

(c) Effect of the Share subdivision (Note 26 (a))

The weighted average number of ordinary shares in issue, adjustments for share options, basic and diluted earnings per share have been stated after taking into account the effect of the Share Subdivision. Comparative figures have been restated on the assumption that the Share Subdivision had been effective in prior year.

13 DIVIDENDS

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Interim dividends, paid *(a)*	**13,570**	13,570
Proposed final dividends *(b)*	**15,606**	20,355
	29,176	33,925

(a) Interim dividends, paid

An interim dividend of HK 4.00 cents per ordinary share (2017: HK 4.00 cents), totalling approximately HK$13,570,000 (2017: HK$13,570,000) were declared and paid during the year ended 31 March 2018.

(b) Proposed final dividends

A final dividend of HK 2.30 cents per ordinary share in respect of the year ended 31 March 2018 (2017: HK 6.00 cents per ordinary share before the effect of the Share Subdivision), totalling approximately HK$15,606,000, was proposed by the Board on 26 June 2018. 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 2018 are set out below.

Name	Place and date of incorporation/ establishment	Nominal value of issued share capital or registered 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
Xin Da (Hong Kong) Investment Trading Company Limited	Hong Kong 13 June 2013	HK$1	100%	Investment holding
Indirectly held by the Company:				
Shantou Xinda Colour Printing & Packaging Material Co. Ltd. *(a)* ("**Shantou Xinda**")	PRC 14 May 1992	HK$35,000,000	100%	Design, printing and sale of cigarette packages
Huazhang Investments Company Limited	Hong Kong 12 November 2014	HK$16,412,600	51%	Investment holding
Huazhang Biological Technology (Shanghai) Co., Ltd. *(b)* ("**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. *(c)* ("**Huazhang Heihe**")	PRC 14 January 2015	RMB10,000,000 *(e)*	51%	Agricultural science and technology related service
Guangdong Foxin Environmental Management Co., Ltd. *(d)* ("**GD Foxin**")	PRC 15 July 2015	RMB10,000,000 *(f)*	51%	Environmental treatment service

(a) Shantou Xinda is a wholly foreign owned enterprise established in the PRC for 30 years up to 13 May 2022.

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

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

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

(e) Registered capital of Huazhang Heihe amounting to RMB5,780,000 is yet to be paid up as at 31 March 2018.

(f) Registered capital of GD Foxin amounting to RMB5,267,000 is yet to be paid up as at 31 March 2018.

14 SUBSIDIARIES *(continued)*

(b) Non-controlling interests

The non-controlling interests for the year ended 31 March 2018 is attributed by Huazhang Investments Company Limited and its three subsidiaries, namely Huazhang Shanghai, Huazhang Heihe and GD Foxin, all being 51% owned subsidiaries of the Group (the "**Huazhang Group**").

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 2018, the Huazhang Group is principally engaged in the Environmental Treatment Business.

Summarised statement of financial position of the Huazhang Group

	31 March 2018 HK$'000	31 March 2017 HK$'000
Non-current:		
Other non-current assets	**1,561**	1,032
Net non-current assets	**1,561**	1,032
Current:		
Cash and cash equivalents	**2,599**	2,401
Other current assets	**13,100**	22,515
Liabilities	**(25,738)**	(31,656)
Net current liabilities	**(10,039)**	(6,740)
Total deficit	**(8,478)**	(5,708)

Summarised statement of comprehensive income of the Huazhang Group

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Revenue	**2,272**	30,910
Loss before income tax	**(2,738)**	(13,873)
Loss after income tax	**(1,948)**	(14,543)
Other comprehensive income	**(732)**	(248)
Total comprehensive income	**(2,680)**	(14,791)
Total comprehensive income allocated to non-controlling interests	**(1,313)**	(7,293)

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK$'000	Machinery HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 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
Year ended 31 March 2018					
Opening net book amount	**17,282**	**22,357**	**744**	**–**	**40,383**
Exchange differences	**1,793**	**2,145**	**66**	**55**	**4,059**
Additions	**–**	**349**	**20**	**1,007**	**1,376**
Depreciation	**(1,355)**	**(3,296)**	**(274)**	**–**	**(4,925)**
Closing net book amount	**17,720**	**21,555**	**556**	**1,062**	**40,893**
At 31 March 2018					
Cost	**38,361**	**53,388**	**3,018**	**1,062**	**95,829**
Accumulated depreciation	**(20,641)**	**(31,833)**	**(2,462)**	**–**	**(54,936)**
Net book amount	**17,720**	**21,555**	**556**	**1,062**	**40,893**

As at 31 March 2018, majority of the Group's property, plant and equipment was located in the PRC (2017: same).

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

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Cost of sales	**2,960**	2,631
Administrative expenses	**1,965**	2,171
Total	**4,925**	4,802

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	
	2018	2017
	HK$'000	HK$'000
At beginning of the year		
Cost	**7,630**	8,129
Accumulated amortisation	**(1,874)**	(1,838)
Net book amount	**5,756**	6,291
For the year		
Opening net book amount	**5,756**	6,291
Exchange differences	**613**	(383)
Amortisation charges	**(157)**	(152)
Closing net book amount	**6,212**	5,756
At end of the year		
Cost	**8,454**	7,630
Accumulated amortisation	**(2,242)**	(1,874)
Net book amount	**6,212**	5,756

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

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Administrative expenses	**157**	152

17 DEFERRED INCOME TAX

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

	31 March 2018 HK$'000	31 March 2017 HK$'000
Deferred income tax assets	**4,148**	2,442
Deferred income tax liabilities	**(8,014)**	(6,212)

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

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
At beginning of the year	**(3,770)**	(4,578)
Exchange differences	**(196)**	395
Tax charged to the consolidated income statement	**(1,113)**	(2,560)
Withholding income tax paid	**1,213**	2,973
At end of the year	**(3,866)**	(3,770)

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

Deferred income tax assets

	Temporary difference on depreciation HK$'000	**Temporary difference on accrual** HK$'000	**Temporary difference on fair value losses of listed securities** HK$'000	**Temporary difference on tax losses** HK$'000	**Total** HK$'000
At 1 April 2016	484	515	880	184	2,063
Tax (charged)/credited 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
Tax (charged)/credited to the consolidated income statement	(34)	428	795	181	1,370
Exchange differences	43	107	176	10	336
At 31 March 2018	**431**	**1,330**	**2,196**	**191**	**4,148**

17 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

	Withholding income tax on earnings to be remitted by a PRC subsidiary HK$'000
At 1 April 2016	6,641
Tax charged to the consolidated income statement	3,077
Withholding income tax paid	(2,973)
Currency translation differences	(533)
At 31 March 2017	6,212
Tax charged to the consolidated income statement	2,483
Withholding income tax paid	(1,213)
Currency translation differences	532
At 31 March 2018	**8,014**

As at 31 March 2018, the Group had unrecognised deferred income tax liabilities of HK$5,049,000 (2017: HK$5,049,000), 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 2018 (2017: HK$100,981,000).

As at 31 March 2018, the Group has unrecognised deferred tax assets of approximately HK$2,398,000 (2017: HK$2,301,000) with respect to tax losses amounting to HK$9,590,000 (2017: HK$9,202,000) of certain subsidiaries in the PRC 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 2018 HK$'000	31 March 2017 HK$'000
Expire in 2021	**4,816**	4,816
Expire in 2022	**4,386**	4,386
Expire in 2023	**388**	–
	9,590	9,202

18 PREPAYMENTS FOR NON-CURRENT ASSETS

	31 March 2018 HK$'000	31 March 2017 HK$'000
Prepayment for an intangible asset *(a)*	12,480	11,264
Prepayments for other non-current assets	–	118
	12,480	11,382
Less: provision for impairment of prepayment of an intangible asset *(a)*	(12,480)	(11,264)
	—	118

(a) This represents provision for impairment of prepayments of certain patent and technologies relating to development of a high-resistant starch content product, as the directors have decided to temporarily suspend the development of the project. The movement of provision is as follows:

	31 March 2018 HK$'000	31 March 2017 HK$'000
At beginning of the year	11,264	–
Provision of impairment recognised during the year	–	11,264
Exchange differences	1,216	–
	12,480	11,264

19 INVENTORIES

	31 March 2018 HK$'000	31 March 2017 HK$'000
Raw materials	20,645	18,336
Finished goods	12,450	11,424
	33,095	29,760

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$120,052,000 for the year ended 31 March 2018 (2017: HK$125,758,000). No inventory write-down or reversal was included in those cost during the year (2017: nil). No inventory provision was made as at 31 March 2018 (2017: nil).

20 TRADE RECEIVABLES

	31 March 2018 HK$'000	31 March 2017 HK$'000
Trade receivables	103,277	115,953
Less: allowance for impairment of trade receivables	(206)	(407)
Trade receivables — net	103,071	115,546

20 TRADE RECEIVABLES *(continued)*

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

	31 March 2018 HK$'000	31 March 2017 HK$'000
Less than 30 days	76,986	61,591
31 days to 60 days	19,086	35,587
61 days to 90 days	–	–
91 days to 180 days	6,999	18,438
Over 180 days	206	337
	103,277	115,953

(b) **Past due but not impaired**

As at 31 March 2018, trade receivables of HK$6,999,000 (2017: HK$18,438,000) were past due but not impaired. These relate to six (2017: two) independent customers for whom there are no financial difficulty and the directors, based on past experience, consider that those amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	31 March 2018 HK$'000	31 March 2017 HK$'000
91 days to 180 days	6,999	18,438

(c) The movement of allowance for impairment of trade receivables is as follows:

	31 March 2018 HK$'000	31 March 2017 HK$'000
At beginning of the year	407	–
Allowance for impairment recognised during the year	–	407
Exchange differences	31	–
Reversal for impairment	(232)	–
	206	407

(d) The Group's trade receivables were denominated in RMB as at 31 March 2018 (2017: same).

(e) As at 31 March 2018, 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 (2017: same).

21 CONSTRUCTION CONTRACT

	31 March 2018 HK$'000	31 March 2017 HK$'000
The aggregate costs incurred plus recognised profits	32,383	32,383
Exchange differences	2,186	(814)
Less: progress billings	(24,076)	(9,471)
Net balance sheet position for an ongoing contract	10,493	22,098

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2018 HK$'000	31 March 2017 HK$'000
Listed securities — held for trading		
— Equity securities — denominated in HK$	10,658	19,458
— Equity securities — denominated in RMB	19,842	9,394
	30,500	28,852

23 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2018 HK$'000	31 March 2017 HK$'000
Other receivables	1,060	1,278
Other prepayments	243	243
Advance to suppliers and services providers	–	101
Less: allowance for impairment of other receivables	(318)	(253)
	985	1,369

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

	31 March 2018 HK$'000	31 March 2017 HK$'000
Denominated in RMB	661	931
Denominated in HK$	399	347
	1,060	1,278

(b) As at 31 March 2018, 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 (2017: nil).

23 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(c) The movement in allowance for impairment of other receivables is as follows:

	31 March 2018 HK$'000	31 March 2017 HK$'000
At beginning of the year	253	–
Allowance for impairment recognised during the year	–	253
Exchange differences	65	–
	318	253

24 RESTRICTED CASH AT BANKS

	31 March 2018 HK$'000	31 March 2017 HK$'000
Denominated in RMB	52,600	45,819

As at 31 March 2018, the Group placed cash deposits of approximately HK$52,600,000 (2017: HK$45,819,000) with designated banks as collateral for the Group's notes payable.

The effective interest rate on restricted cash at banks was 1.56% (2017: 1.56%) per annum. These deposits have an average maturity of 180 days (2017: Same).

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 2018 HK$'000	31 March 2017 HK$'000
Cash at bank and on hand	165,608	116,507

Cash and cash equivalents are denominated in the following currencies:

	31 March 2018 HK$'000	31 March 2017 HK$'000
Denominated in RMB	155,772	96,348
Denominated in HK$	9,499	19,831
Denominated in US$	337	328
	165,608	116,507

The Group's cash and bank balances of HK$155,772,000 (2017: HK$96,348,000) 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 2016, 31 March 2017	2,000,000,000	20,000,000
Effect of the Share Subdivision	2,000,000,000	–
At 31 March 2018 *(a)*	4,000,000,000	20,000,000

Issued share capital	Number of issued shares	Share capital
		HK$
At 1 April 2016 and 31 March 2017	339,250,000	3,392,500
Effect of the Share Subdivision	339,250,000	–
At 31 March 2018 *(b)*	678,500,000	3,392,500

(a) The nominal value of the ordinary shares of the Company was initially at HK$0.01 per share. With effect from 25 January 2018, each of the then existing issued and unissued share of the Company was subdivided into two subdivided shares of HK$0.005 each, after a resolution was passed at the extraordinary general meeting of the Company held on 24 January 2018 and with an approval obtained from the Stock Exchange (the "**Share Subdivision**"). Upon the Share Subdivision became effective, the authorised share capital of the Company became HK$20,000,000, divided into 4,000,000,000 shares of HK$0.005 each. The other rights and terms of the shares remained unchanged as at 31 March 2018 (2017: 2,000,000,000 shares at HK$0.01 per share, which are the numbers before the effect of the Share Subdivision).

(b) As at 31 March 2018, the total number of issued ordinary shares of the Company was 678,500,000 shares after the effect of the Share Subdivision (2017: 339,250,000 shares before the effect of the Share Subdivision). They were all fully paid up.

27 OTHER RESERVES

	Share premium HK$'000	Statutory reserves HK$'000 *(a)*	Exchange reserves HK$'000	Capital reserves HK$'000 *(b)*	Share-based compensation reserves HK$'000 *(c)*	Other reserves HK$'000	Total HK$'000
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
Year ended 31 March 2018							
Balance at 1 April 2017	**130,934**	**22,087**	**(21,211)**	**35,000**	**7,170**	**274**	**174,254**
Value of employee services under share option scheme	**–**	**–**	**–**	**–**	**825**	**–**	**825**
Currency translation differences	**–**	**–**	**33,558**	**–**	**–**	**–**	**33,558**
Balance at 31 March 2018	**130,934**	**22,087**	**12,347**	**35,000**	**7,995**	**274**	**208,637**

(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 before the Share Subdivision.

Upon the Share Subdivision (Note 26 (a)) became effective, pro-rata adjustments were made to the exercise price and the number of share options outstanding, so as to give the participants of the Share Option Scheme the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

27 OTHER RESERVES *(continued)*

(c) Share-based compensation reserves *(continued)*

Vesting date	Expiry dates	Exercise price		Number of outstanding options as at 31 March	
		Before the Share Subdivision	After the Share Subdivision	2018 (after the Share Subdivision)	2017 (before the Share Subdivision)
1 year from 15 January 2015	14 January 2020	HK$2.58	HK$1.29	**12,515,000**	6,622,500
2 years from 15 January 2015	14 January 2020	HK$2.58	HK$1.29	**12,515,000**	6,622,500
3 years from 15 January 2015	14 January 2020	HK$2.58	HK$1.29	**12,515,000**	6,622,500
4 years from 15 January 2015	14 January 2020	HK$2.58	HK$1.29	**12,515,000**	6,622,500
				50,060,000	26,490,000
Number of options exercisable				**37,545,000**	19,867,500

The outstanding share options were divided into four tranches on an equal basis as at their grant date. The first tranche was exercised after one year from the grant date, and then the remaining tranches would be exercisable in each subsequent year.

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

	Year ended 31 March	
	2018	2017
At 1 April	**26,490,000**	27,410,000
Forfeited before the Share Subdivision	**(700,000)**	(920,000)
Effect of the Share Subdivision *(i)*	**25,790,000**	–
Forfeited after the Share Subdivision	**(1,520,000)**	–
At 31 March	**50,060,000**	26,490,000

(i) It represented the effects of adjustments made to the numbers of shares as a result of the Share Subdivision.

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, before taking into account the effect of the Share Subdivision, 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 (2017: Nil).

The total expenses recognised for employee services received in respect of the Share Option Scheme for the year ended 31 March 2018 was HK$825,000 (2017: HK$1,916,000).

28 TRADE AND NOTES PAYABLE

	31 March 2018 HK$'000	31 March 2017 HK$'000
Trade payables *(a)*	**24,405**	25,039
Notes payable — bank acceptance notes	**52,988**	46,157
	77,393	71,196

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

	31 March 2018 HK$'000	31 March 2017 HK$'000
Within 90 days	**18,622**	24,835
90 to 180 days	**5,783**	204
	24,405	25,039

(b) The Group's trade payables were interest-free and denominated in RMB at 31 March 2018 (2017: same).

(c) The fair value of trade and notes payable approximate their carrying amounts at 31 March 2018 (2017: same).

29 OTHER PAYABLES AND ACCRUALS

	31 March 2018 HK$'000	31 March 2017 HK$'000
Accrual for staff costs and allowances	**5,143**	4,733
Other tax payables	**11,312**	10,056
Other accruals	**2,345**	5,100
	18,800	19,889

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

	31 March 2018 HK$'000	31 March 2017 HK$'000
Denominated in RMB	**17,995**	18,631
Denominated in HK$	**805**	1,258
	18,800	19,889

(b) The fair value of these balance approximate their carrying amounts at 31 March 2018 (2017: same).

30 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to net cash generated from operating activities is as follows:

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Profit before income tax	**40,360**	56,135
Adjustments for:		
— Other losses/(gains) — net	**9,327**	(757)
— Depreciation and amortisation	**5,082**	4,954
— Finance income	**(4,907)**	(3,053)
— Value of employee services under share option scheme	**825**	1,916
— Provision for impairment of prepayment for a non-current asset	**–**	11,264
— Losses of disposal of property, plant and equipment	**–**	8
Changes in working capital:		
— Trade receivables	**12,475**	(39,513)
— Amounts due from customer for contract work	**11,605**	(20,484)
— Trade and notes payable	**6,197**	10,250
— Inventories	**(3,335)**	3,488
— Other payables and accruals	**(1,089)**	5,188
— Prepayments and other receivables	**(125)**	7,004
Net cash generated from operating activities	**76,415**	36,400

31 COMMITMENTS

(a) Capital commitments

As at 31 March 2018 and 31 March 2017, the Group had the following capital commitments:

	31 March 2018 HK$'000	31 March 2017 HK$'000
Capital expenditure in respect of the addition of property, plant and equipment contracted for but not provided	**290**	56

(b) Operating lease commitments

At 31 March 2018 and 2017, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	31 March 2018 HK$'000	31 March 2017 HK$'000
Not later than one year	**1,488**	1,004
Later than one year and not later than two years	**993**	–
	2,481	1,004

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
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	
	2018 HK$'000	2017 HK$'000
Salaries, wages, bonuses, welfare and other benefits	**3,066**	3,079
Contributions to pension plans	**127**	139
Value of employee services under Share Option Scheme	**143**	289
	3,336	3,507

(c) Transactions with a related party

	Year ended 31 March	
	2018 HK$'000	2017 HK$'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 was carried out in the normal course of business in accordance with terms as agreed with the related party.

(d) Balances with related parties

	31 March 2018 HK$'000	31 March 2017 HK$'000
Other payables *(i)*:		
— Mr. Zheng Andy Yi Sheng	**250**	250
— Mr. Zheng Minsheng	**200**	200
	450	450

(i) Other payables are directors' fees denominated in HK$, unsecured, interest-free and repayable on demand.

33 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	31 March 2018 HK$'000	31 March 2017 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	107,743	115,526
Prepaid expenses	509	–
	108,252	115,526
Current assets		
Prepayments and other receivables	201	202
Amounts due from subsidiaries	46,400	28,079
Cash and cash equivalents	367	2,351
	46,968	30,632
Total assets	155,220	146,158
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,393	3,393
Other reserves	135,487	121,303
Retained earnings	15,610	20,355
	154,490	145,051
LIABILITIES		
Current liabilities		
Other payables and accruals	730	1,107
Total equity and liabilities	155,220	146,158

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 2017					
Balance at 1 April 2016	130,934	(8,063)	5,254	20,355	148,480
Profit for the year	–	–	–	33,925	33,925
Dividends	–	–	–	(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
Year ended 31 March 2018					
Balance at 1 April 2017	**130,934**	**(16,801)**	**7,170**	**20,355**	**141,658**
Profit for the year	**–**	**–**	**–**	**29,180**	**29,180**
Dividends	**–**	**–**	**–**	**(33,925)**	**(33,925)**
Value of employee services under share option scheme	**–**	**–**	**825**	**–**	**825**
Currency translation differences	**–**	**13,359**	**–**	**–**	**13,359**
Balance at 31 March 2018	**130,934**	**(3,442)**	**7,995**	**15,610**	**151,097**

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**209,084**	260,262	252,368	298,066	264,830
Profit from operation activities	**35,453**	53,082	50,799	81,165	69,373
Finance income	**4,907**	3,053	3,559	5,283	2,590
Profit before income tax	**40,360**	56,135	54,358	86,448	71,963
Income tax expense	**(9,100)**	(15,107)	(12,231)	(16,112)	(15,384)
Profit for the year	**31,260**	41,028	42,127	70,336	56,579
Attributable to:					
Owners of the Company	**32,215**	48,199	45,077	70,667	56,579
Non-controlling interests	**(955)**	(7,171)	(2,950)	(331)	–
	31,260	41,028	42,127	70,336	56,579
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**448,114**	408,650	403,554	442,642	336,846
Total liabilities	**(114,137)**	(106,033)	(90,480)	(118,849)	(104,124)
Total equity	**333,977**	302,617	313,074	323,793	232,722
Non-controlling interests	**(4,155)**	(2,842)	4,451	7,711	–