HUAXI HOLDINGS COMPANY LIMITED
華禧控股有限公司

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

INTERIM REPORT **2018**

CONTENTS

CORPORATION INFORMATION

BOARD OF DIRECTORS

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

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 & C0

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Central
Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
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P O Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

WEBSITE

http://www.huaxihds.com.hk

STOCK CODE

01689

The board of directors (the "**Board**") of Huaxi Holdings Company Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017 as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
	Note	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Revenue	*7*	**111,383**	89,260
Cost of sales	*8*	**(70,369)**	(54,805)
Gross profit		**41,014**	34,455
Distribution costs	*8*	**(986)**	(902)
Administrative expenses	*8*	**(12,575)**	(12,692)
Other losses — net	*9*	**(3,202)**	(391)
Operating profit		**24,251**	20,470
Finance income		**4,148**	2,209
Profit before income tax		**28,399**	22,679
Income tax expense	*10*	**(6,529)**	(4,892)
Profit for the period		**21,870**	17,787
Profit/(loss) attributable to:			
— Owners of the Company		**23,060**	18,515
— Non-controlling interests		**(1,190)**	(728)
		21,870	17,787

	Note	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Currency translation difference		**(31,042)**	13,602
Other comprehensive income for the period, net of tax		**(31,042)**	13,602
Total comprehensive income for the period		**(9,172)**	31,389
Total comprehensive income attributable to:			
— Owners of the Company		**(8,404)**	31,820
— Non-controlling interests		**(768)**	(431)
		(9,172)	31,389
Earnings per share attributable to owners of the Company			
— Basic	*11*	**HK3.38 cents**	HK2.73 cents
— Diluted	*11*	**HK3.28 cents**	HK2.69 cents

The above condensed consolidated statement of comprehensive income be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**37,733**	40,893
Intangible assets	*20*	**11,017**	–
Prepaid operating lease		**5,581**	6,212
Deferred tax assets		**3,105**	4,148
Prepaid expenses		**407**	509
Prepayments for non-current assets	*16*	**431**	–
		58,274	51,762
Current assets			
Inventories		**36,492**	33,095
Trade and notes receivable	*14*	**92,186**	103,071
Contract assets	*15*	**5,747**	–
Amounts due from customer for contract work	*15*	**–**	10,493
Prepayments and other receivables	*16*	**31,637**	985
Financial assets at fair value through profit or loss	*17*	**23,128**	30,500
Restricted cash at banks	*18*	**46,433**	52,600
Cash and cash equivalents	*19*	**161,237**	165,608
		396,860	396,352
Total assets		**455,134**	448,114

	Note	**30 September 2018 HK$'000 (Unaudited)**	31 March 2018 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*21*	**3,471**	3,393
Other reserves		**208,401**	208,637
Retained earnings		**133,198**	126,102
		345,070	338,132
Non-controlling interests		**(4,923)**	(4,155)
Total equity		**340,147**	333,977
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**9,412**	8,014
Current liabilities			
Trade and notes payable	*23*	**68,794**	77,393
Other payables and accruals	*24*	**12,560**	18,800
Dividends payable	*12*	**15,964**	–
Current income tax liabilities		**8,257**	9,930
		105,575	106,123
Total liabilities		**114,987**	114,137
Total equity and liabilities		**455,134**	448,114

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 21)*	**Other reserves** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
Six months ended 30 September 2018 (Unaudited)						
Balance at 1 April 2018	**3,393**	**208,637**	**126,102**	**338,132**	**(4,155)**	**333,977**
Comprehensive income						
— Profit for the period	**–**	**–**	**23,060**	**23,060**	**(1,190)**	**21,870**
— Other comprehensive income	**–**	**(31,464)**	**–**	**(31,464)**	**422**	**(31,042)**
Total comprehensive income	**–**	**(31,464)**	**23,060**	**(8,404)**	**(768)**	**(9,172)**
Transactions with owners:						
— Issue of Consideration Shares *(Note 20)*	**78**	**31,082**	**–**	**31,160**	**–**	**31,160**
— Value of employee services under share option scheme	**–**	**146**	**–**	**146**	**–**	**146**
— Dividends	**–**	**–**	**(15,964)**	**(15,964)**	**–**	**(15,964)**
Balance at 30 September 2018	**3,471**	**208,401**	**133,198**	**345,070**	**(4,923)**	**340,147**
Six months ended 30 September 2017 (Unaudited)						
Balance at 1 April 2017	3,393	174,254	127,812	305,459	(2,842)	302,617
Comprehensive income						
— Profit for the period	–	–	18,515	18,515	(728)	17,787
— Other comprehensive income	–	13,306	–	13,306	296	13,602
Total comprehensive income	–	13,306	18,515	31,821	(432)	31,389
Value of employee services under share option scheme	–	661	–	661	–	661
Dividends	–	–	(20,355)	(20,355)	–	(20,355)
Balance at 30 September 2017	3,393	188,221	125,972	317,586	(3,274)	314,312

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 September 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from/(used in) operations	*25*	**11,701**	(5,293)
PRC enterprise income tax paid		**(6,701)**	(3,302)
Net cash generated from/(used in) operating activities		**5,000**	(8,595)
Cash flows from investing activities			
Net cash acquired from acquisition of subsidiaries	*20*	**5,790**	–
Purchases of property, plant and equipment		**(392)**	(372)
Decrease in restricted cash at banks		**6,167**	18,352
Purchase of financial assets at fair value through profit or loss		**(35)**	(20,752)
Net proceed from disposal of financial assets at fair value through profit or loss		**926**	28,188
Interest income from bank deposits		**1,078**	1,198
Interest income from other financial assets		**1,679**	1,011
Net cash generated from investing activities		**15,213**	27,625
Cash flows from financing activities			
Dividends paid	*12*	**–**	(20,355)
Net cash used in financing activities		**–**	(20,355)
Net increase/(decrease) in cash and cash equivalents		**20,213**	(1,325)
Cash and cash equivalents at beginning of the period		**165,608**	116,507
Effect of change in exchange rate		**(24,584)**	11,338
Cash and cash equivalents at end of the period		**161,237**	126,520

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 the offices of Appleby Trust (Cayman) Ltd., 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 six months ended 30 September 2018.

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

This condensed consolidated interim financial information for the six months ended 30 September 2018 ("Interim Financial Information") is presented in thousands of Hong Kong dollar ("HK$"), unless otherwise stated.

This Interim Financial Information has not been audited and has been approved for issue by the Board of the Company on 27 November 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 March 2018.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements, except the adoption of new and amended standards and interpretation as described below.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

2.1 New and amended standards and interpretations adopted by the Group

Amendments to HKFRS 1	First Time Adoption of HKFRS
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 3, the adoption of other new and amended standards and interpretation did not have any material impact on the Interim Financial Information.

2.2 The following standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Lease	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements	Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The impact of new and amended standards above is still under assessment by the Group.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements and the new accounting policies that have been first applied from 1 April 2018.

3.1 Adoption of HKFRS 9

(a) Impact of adoption

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost. There were no changes to the classification and measurement of financial instruments.

HKFRS 9 requires an impairment on trade and other receivables and contract assets that are not accounted for at fair value through profit or loss to be recorded based on an expected credit loss model either on a 12-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other receivables.

The Group has reviewed its financial assets and has not identified any significant impact as at 1 April 2018 from the adoption of expected credit loss model.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

3.1 Adoption of HKFRS 9 *(continued)*

(b) Summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Recognition and 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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

3.1 Adoption of HKFRS 9 *(continued)*

(b) Summary of significant accounting policies *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group categories its debt instruments as amortised cost, which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains/(losses)" in the profit or loss accounts as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets except for the investments in equity instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

3.1 Adoption of HKFRS 9 *(continued)*

(b) Summary of significant accounting policies *(continued)*

Impairment of financial assets (continued)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade and notes receivable and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses. If a significant increase in credit risk of a receivable occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

3.2 Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in Note 3.2 (b) below.

(a) Impact of adoption

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, referred to as open contracts, thus the comparative figures have not been restated.

The management has assessed the Group's performance obligations and timing of revenue recognition under HKFRS 15 and has concluded that there is no significant impact of HKFRS 15 on revenue recognition as at and since 1 April 2018, except for the certain reclassification of assets:

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 15 *(continued)*

(a) Impact of adoption *(continued)*

Presentation of contract assets

Contract assets for unbilled work in progress in relation to construction contracts of environmental treatment activities were previously presented as amounts due from customer for contract work.

(b) Summary of significant accounting policies

The following describes the Group's updated revenue from contracts with customers' policy to reflect the adoption of HKFRS 15:

Revenue is measured at the fair value of the consideration received or receivable for the sales of cigarette packaging materials and rendering of environmental treatment services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(i) 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.

(ii) Rendering of construction services for environmental treatment business

Revenues are recognised when or as the control of the asset under construction is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

3.2 Adoption of HKFRS 15 *(continued)*

(b) Summary of significant accounting policies *(continued)*

(ii) Rendering of construction services for environmental treatment business (continued)

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(iii) Rendering of other services

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

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

3.3 Intangible assets

Patent and technology

Patent and technology that the Group acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation and impairment losses.

These costs are amortised over their estimated useful lives of ten years using the straight-line method.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The Interim Financial Information has not included all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 March 2018.

There have been no changes in the risk management policies since year end.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(continued)

5.2 Credit risk

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

As at 30 September 2018, substantially all (31 March 2018: same) the Group's bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk (31 March 2018: same).

As at 30 September 2018, approximately 96.5% (31 March 2018: 94.0%) of the Group's trade and notes receivable were due from the top five largest customers, while approximately 68.3% (31 March 2018: 83.2%) of the Group's trade and notes receivable were due from the largest customer, which are prominent cigarette manufacturers in the PRC.

None of the Group's trade and notes receivable 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 Interim Financial Information after assessing the collectability of individual debts. Further quantitative disclosures in respect of trade and notes receivable and other receivables are set out in Note 14 and 16.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.3 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).

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 30 September 2018	23,128
at 31 March 2018	30,500

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

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.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(continued)

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

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operation 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.

For the six months ended 30 September 2018 and 30 September 2017, the Group was principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the "Cigarette Packaging Business"). Despite the environmental treatment business (the "Environmental Treatment Business") amounted to less than 10% of the Group's revenue for both periods, 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 comprise additions to property, plant and equipment.

6 SEGMENT INFORMATION *(continued)*

The segment results and other segment items of the Group for the six months ended 30 September 2018 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Group HK$'000
Revenue			
At a point in time	105,423	–	105,423
Over time	–	5,960	5,960
	105,423	5,960	111,383
Segment results	28,850	(247)	28,603
Other losses — net			(4,352)
Operating profit			24,251
Finance income			4,148
Profit before income tax			28,399
Income tax expense			(6,529)
Profit for the period			21,870
Other segment item			
Depreciation and amortisation	2,352	344	2,696

6 SEGMENT INFORMATION *(continued)*

The segment results and other segment items of the Group for the six months ended 30 September 2017 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Group HK$'000
Revenue	89,068	192	89,260
Segment results	21,203	(1,143)	20,060
Other gains — net			410
Operating profit			20,470
Finance income			2,209
Profit before income tax			22,679
Income tax expense			(4,892)
Profit for the period			17,787
Other segment item Depreciation and amortisation	2,268	185	2,453

6 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities at 30 September 2018 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Segment assets	443,805	50,859	(65,763)	428,901
Financial assets at fair value through profit or loss				23,128
Deferred tax assets				3,105
Total assets				455,134
Segment liabilities	96,348	66,733	(65,763)	97,318
Current income tax liabilities				8,257
Deferred tax liabilities				9,412
Total liabilities				114,987
Capital expenditures	384	8	–	392

6 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities at 31 March 2018 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Segment assets	422,128	21,605	(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	30,729	(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

7 REVENUE

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Sales of cigarette packaging products	**105,423**	89,050
Revenue from construction services	**5,960**	176
Others	**–**	34
	111,383	89,260

Except for the two customers below, no other customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 September 2018 (six months ended 30 September 2017: same):

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Customer A	**65.0%**	66.0%
Customer B	**24.8%**	23.1%
	89.8%	89.1%

For the six months ended 30 September 2018, all of the Group's revenue were generated from its subsidiaries in the PRC (six months ended 30 September 2017: same).

8 EXPENSES BY NATURE

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Cost of inventories sold	**59,066**	48,169
Staff costs (including directors' emoluments)	**11,108**	10,460
Depreciation and amortisation	**2,696**	2,453
Raw materials consumed and subcontracting cost for construction contract	**2,346**	–
Utilities	**2,469**	1,358
Business tax and other taxes	**1,139**	1,214
Transportation expenses	**940**	759
Operating lease expenses	**718**	716
Office expenses	**220**	404
Auditors' remuneration	**190**	200
Travelling expenses	**165**	190
Other expenses	**2,873**	2,476
Total cost of sales, distribution costs and administrative expenses	**83,930**	68,399

9 OTHER LOSSES — NET

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Foreign exchange gains/(losses)	**1,150**	(801)
Dividend income from financial assets at fair value through profit or loss	**573**	586
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(970)**	664
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	**(3,955)**	(840)
	(3,202)	(391)

10 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 accordingly, 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, accordingly, 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 period. The profit of the group entities in Hong Kong is mainly derived from dividend income from subsidiaries and interest income from banks, 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.

10 INCOME TAX EXPENSE *(continued)*

On 9 October 2014, the Group's major operating subsidiary in the PRC was awarded High and New Technology Enterprise Certificate ("Certificate") which is effective for three years from 1 January 2014 to 1 January 2017. On 9 November 2017, this 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 six months ended 30 September 2018 (six months ended 30 September 2017: same).

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.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Current income tax		
— PRC enterprise income tax	**3,983**	3,897
Deferred income tax		
— PRC enterprise income tax	**1,193**	(19)
— Withholding income tax for profit to be distributed from the PRC	**1,353**	1,014
	6,529	4,892

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

11 EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for each period ended 30 September have been retrospectively adjusted for the Share Subdivision (as defined in Note 21 (a)).

(a) Basic

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

	Six months ended 30 September	
	2018	2017
Profit attributable to owners of the Company (HK$'000)	**23,060**	18,515
Weighted average number of ordinary shares in issue	**681,991,000**	678,500,000
Basic earnings per share	**HK3.38 cents**	HK2.73 cents

(b) Diluted

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

11 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

	Six months ended 30 September	
	2018	2017
Profit attributable to owners of the Company (HK$'000)	**23,060**	18,515
Weighted average number of ordinary shares in issue	**681,991,000**	678,500,000
Adjustments for share options	**20,294,000**	10,714,000
Weighted average number of ordinary shares for diluted earnings per share	**702,285,000**	689,214,000
Diluted earnings per share	**HK3.28 cents**	HK2.69 cents

12 DIVIDENDS

A final dividend of HK2.30 cents per ordinary share for the year ended 31 March 2018 (2017: HK 6.00 cents per ordinary share before the effect of the Share Subdivision as defined in Note 21 (a)), totalling approximately HK$15,964,000 (2017: HK$20,355,000), was yet to be paid.

On 23 November 2018, the Board has resolved to declare an interim dividend of HK 2.20 cents per share (2017: HK4.00 cents per share before the effect of the Share Subdivision), which is payable on or around 20 December 2018 to shareholders who are on the register at 12 December 2018. This interim dividend, amounting to HK$15,270,000 (2017: HK$13,570,000), has not been recognised as a liability in the interim financial information. It will be recognised in the financial statements for the year ending 31 March 2019.

13 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 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
Six months ended 30 September 2018					
Opening net book amount	17,720	21,555	556	1,062	40,893
Exchange differences	(1,556)	(858)	(182)	(134)	(2,730)
Additions	–	222	–	170	392
Acquisition of subsidiary	–	337	1,078	260	1,675
Transfer	572	–	–	(572)	–
Disposal	–	(123)	–	–	(123)
Depreciation and amortisation	(681)	(1,547)	(146)	–	(2,374)
Closing net book amount	16,055	19,586	1,306	786	37,733
At 30 September 2018					
Cost	37,377	52,805	3,914	786	94,882
Accumulated depreciation	(21,322)	(33,219)	(2,608)	–	(57,149)
Net book amount	16,055	19,586	1,306	786	37,733

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Plant and buildings HK$'000	Machinery HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 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
Six months ended 30 September 2017					
Opening net book amount	17,282	22,357	744	–	40,383
Exchange differences	575	696	449	–	1,720
Additions	41	311	20	–	372
Depreciation and amortisation	(661)	(1,655)	(137)	–	(2,453)
Closing net book amount	17,237	21,709	1,076	–	40,022
At 30 September 2017					
Cost	35,239	49,016	3,222	–	87,477
Accumulated depreciation	(18,002)	(27,307)	(2,146)	–	(47,455)
Net book amount	17,237	21,709	1,076	–	40,022

As at 30 September 2018, all plant and buildings were located in the PRC (31 March 2018: same).

14 TRADE AND NOTES RECEIVABLE

	30 September 2018 HK$'000	31 March 2018 HK$'000
Trade receivables	**91,806**	103,277
Note receivables	**568**	–
Less: allowance for impairment of trade receivables	**(188)**	(206)
	92,186	103,071

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

	30 September 2018 HK$'000	31 March 2018 HK$'000
Less than 30 days	**71,092**	76,986
31 days to 60 days	**15,778**	19,086
61 days to 90 days	**4,410**	–
91 days to 180 days	**338**	6,999
Over 180 days	**188**	206
	91,806	103,277

As at 30 September 2018, trade receivables of HK$338,000 (31 March 2018: HK$6,999,000) were past due but not impaired.

14 TRADE AND NOTES RECEIVABLE *(continued)*

(b) As at 30 September 2018, trade receivables of HK$188,000 (31 March 2018: HK$206,000) were past due and fully impaired. The ageing of these receivables is as follows:

	30 September 2018 HK$'000	31 March 2018 HK$'000
Over 180 days	**188**	206

(c) The Group's trade receivables were denominated in RMB as at 30 September 2018 (31 March 2018: same).

15 CONTRACT ASSETS/AMOUNTS DUE FROM CUSTOMER FOR CONTRACT WORK

	30 September 2018 HK$'000	31 March 2018 HK$'000
Aggregate costs incurred plus recognised profit	**36,872**	32,383
Exchange differences	**519**	2,186
Less: progress billings	**(31,644)**	(24,076)
	5,747	10,493

16 PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2018 HK$'000	31 March 2018 HK$'000
Non-current:		
Prepayments for non-current assets	**431**	–
Current:		
Advance to suppliers and services providers	**749**	–
Other prepayments	**635**	243
Loans to third parties (b)	**28,409**	–
Other receivables	**1,844**	1,060
	31,637	1,303
Less: allowance for impairment of other receivables	**–**	(318)
	31,637	985

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

	30 September 2018 HK$'000	31 March 2018 HK$'000
Denominated in RMB	**1,844**	661
Denominated in HK$	**–**	399
	1,844	1,060

(b) Loans to third parties with amounted to HK$28,409,000 as at 30 September 2018 (31 March 2018: nil). The effective interest rate on those loans was 18% (31 March 2018: nil) per annum.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 HK$'000	31 March 2018 HK$'000
Listed securities — held for trading		
— Equity securities — denominated in HK$	**9,765**	10,658
— Equity securities — denominated in RMB	**13,363**	19,842
	23,128	30,500

The fair values of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges.

18 RESTRICTED CASH AT BANKS

	30 September 2018 HK$'000	31 March 2018 HK$'000
Denominated in RMB	**46,433**	52,600

As at 30 September 2018, the Group placed cash deposits of approximately HK$46,333,000 (31 March 2018: HK$52,600,000) with designated banks as collateral for the Group's notes payable.

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 regulations of foreign exchange control promulgated by the PRC government.

19 CASH AND CASH EQUIVALENTS

	30 September 2018 HK$'000	31 March 2018 HK$'000
Cash at bank and on hand	**161,237**	165,608

Cash and cash equivalents are denominated in the following currencies:

	30 September 2018 HK$'000	31 March 2018 HK$'000
Denominated in RMB	**122,556**	155,772
Denominated in HK$	**38,344**	9,499
Denominated in US$	**337**	337
	161,237	165,608

The Group's cash and bank balances of HK$122,556,000 (31 March 2018: HK$155,772,000) 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 regulations of foreign exchange control promulgated by the PRC government.

20 BUSINESS COMBINATION

The Group acquired 100% equity interests in Huge East Investment Limited, a Hong Kong incorporated company, together with its PRC subsidiary named Shantou Hongdong Environmental Treatment Company Limited (together, the "Acquiree") from an independent third party. The acquisition was completed on 21 August 2018.

The Acquiree has been principally engaged in the Environmental Treatment Business and the acquisition will expand the Group's business, broaden its revenue streams and bring greater return to the Shareholders.

20 BUSINESS COMBINATION *(continued)*

The following table summarises the consideration paid for the Acquiree, the fair value of the assets acquired and liabilities assumed at 21 August 2018.

	HK$'000
Total consideration, paid by issue of shares (a)	31,160

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Fair Value HK$'000
Property, plant and equipment	1,675
Intangible assets (b)	11,251
Cash and cash equivalents	5,790
Trade receivables	12,459
Prepayments and other receivables	1,823
Contract assets	5,653
Other payables and accruals	(5,943)
Deferred tax liabilities	(1,548)
Net identifiable assets acquired	31,160

(a) The consideration of HK$31,160,000 was paid by issue of ordinary shares of 15,580,000 shares at the price of HK$2.00 per share to the then shareholder of the Acquiree (the "Issue of Consideration Shares").

(b) The fair value of acquired intangible assets, amounting to HK$11,251,000 which includes patents and technologies, was valued by an independent valuer. As at 30 September 2018, the carrying amount of these assets is HK$11,017,000.

(c) The acquired business contributed revenues of HK$3,853,000 and net profit of HK$244,000 to the Group for the period from 21 November 2018 to 30 September 2018. If the acquisition had occurred on 1 April 2018, consolidated revenue and consolidated profit after tax for the half-year ended 30 September 2018 would have been HK$98,278,000 and HK$21,897,000 respectively.

21 SHARE CAPITAL

Authorised share capital	Number of ordinary shares	Equivalent nominal value of ordinary shares HK$
At 1 April 2017	2,000,000,000	20,000,000
Effect of the Share Subdivision (a)	2,000,000,000	–
At 31 March 2018 and 30 September 2018	4,000,000,000	20,000,000

Ordinary shares, issued and fully paid:	Number of issued shares	Amount HK$
At 1 April 2017	339,250,000	3,392,500
Effect of the Share Subdivision (Note)	339,250,000	–
At 31 March 2018	678,500,000	3,392,500
Effect of the Issue of Consideration Shares (Note 20(a))	15,580,000	77,900
At 30 September 2018	694,080,000	3,470,400

21 SHARE CAPITAL *(continued)*

Note: 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 (1 April 2017: 2,000,000,000 shares at HK$0.01 per share, which are the numbers before the effect of the Share Subdivision).

Consequently, the total number of issued ordinary shares of the Company was doubled upon the effect of the Share Subdivision.

22 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 (Note 21 (a)).

Upon the Share Subdivision (Note 21 (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.

22 SHARE-BASED COMPENSATION RESERVES *(continued)*

Particulars of share options as at 30 September 2018 and 31 March 2018 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at 30 September 2018	Number of outstanding shares as at 31 March 2018
1 year from 15 January 2015	14 January 2020	HK$1.29	10,965,000	12,515,000
2 years from 15 January 2015	14 January 2020	HK$1.29	10,965,000	12,515,000
3 years from 15 January 2015	14 January 2020	HK$1.29	10,965,000	12,515,000
4 years from 15 January 2015	14 January 2020	HK$1.29	10,965,000	12,515,000
			43,860,000	50,060,000

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

	Six month ended 30 September 2018	Six month ended 30 September 2017
At 1 April	**50,060,000**	26,490,000
Forfeited	**(6,200,000)**	(700,000)
At 30 September	**(43,860,000)**	25,790,000

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

The fair value of options granted was HK$0.33 per option, which was determined using the Binomial Option Pricing Model by an independent valuer as at date of grant. The significant inputs into the model were share price of HK$2.55 at the grant date, exercise price shown above, expected volatility of 27.15%, expected dividend yield of 6.29%, an expected option life of five years, and an annual risk-free interest rate of 1.1% per year. No options were exercised during the period (six months ended 30 September 2017: Nil).

The total expenses recognised for employee services received in respect of the Share Option Scheme for the six months ended 30 September 2018 was HK$146,000 (six months ended 30 September 2017: HK$661,000).

23 TRADE AND NOTES PAYABLE

	30 September 2018 HK$'000	31 March 2018 HK$'000
Trade payables (Note (a))	**21,990**	24,405
Notes payable — bank acceptance notes	**46,804**	52,988
	68,794	77,393

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

	30 September 2018 HK$'000	31 March 2018 HK$'000
Within 90 days	**20,478**	18,622
90 to 180 days	**1,343**	5,783
Over 180 days	**169**	–
	21,990	24,405

(b) The Group's trade and notes payable are interest-free and denominated in RMB.

24 OTHER PAYABLES AND ACCRUALS

	30 September 2018 HK$'000	31 March 2018 HK$'000
Accrual for staff costs and allowances	**4,324**	5,143
Other tax payables	**6,669**	11,312
Other accruals	**1,567**	2,345
	12,560	18,800

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

	30 September 2018 HK$'000	31 March 2018 HK$'000
Denominated in RMB	**12,030**	17,995
Denominated in HK$	**530**	805
	12,560	18,800

The fair value of these balance approximate their carrying amounts at 30 September 2018 (31 March 2018: same).

25 CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the period to net cash generated from operations.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
Profit before income tax	**28,399**	22,679
Adjustments for:		
— Depreciation	**2,513**	2,529
— Amortisation of prepaid operating lease	**183**	–
— Other losses — net	**3,202**	391
— Finance income	**(4,148)**	(2,209)
— Value of employee services costs under share option scheme	**146**	661
Changes in working capital:		
— Inventories	**(3,397)**	(6,210)
— Contract assets	**(383)**	–
— Amounts due from customer for contract work	**10,493**	10,547
— Trade and notes receivable	**23,344**	(11,851)
— Prepayments and other receivables	**(27,869)**	(348)
— Trade and notes payable	**(8,599)**	(17,393)
— Other payables	**(12,183)**	(4,089)
Cash generated from operations	**11,701**	(5,293)

26 COMMITMENTS

(a) Capital Commitments

As at 30 September 2018 and 31 March 2018, the Group had the following capital commitments:

	30 September 2018 HK$'000	31 March 2018 HK$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided	**696**	290

(b) Operating lease commitments

As at 30 September 2018 and 31 March 2018, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	30 September 2018 HK$'000	31 March 2018 HK$'000
Not later than one year	**1,488**	1,488
Later than one year and not later than two years	**248**	993
	1,736	2,481

27 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

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

(b) Balances with related parties

	30 September 2018 HK$'000	31 March 2018 HK$'000
Other payables		
— Mr. Zheng Andy Yi Sheng	**250**	250
— Mr. Zheng Minsheng	**200**	200
	450	450

(c) Key management compensations

	Six months ended 30 September	
	2018 HK$'000	2017 HK$'000
Salaries and other employee benefits	**1,745**	1,687
Pension costs	**100**	89
Value of employee services costs under share option scheme	**30**	120
	1,875	1,896

BUSINESS REVIEW

The principal activities of the Group were manufacturing and sales of cigarette package materials and environment treatment business in The People's Republic of China (the "PRC"). In 2018, the performance of China tobacco and cigarette business was slightly improved. Sales and production of volume of cigarette recorded a single digit growth. The cigarette manufacturers' policy ended and the demand for stock replenishment is expected to resume normal.

The Clean Water Action Plan (水十條) gives rise to national investments of RMB4.6 trillion in environmental industry. The scope of water pollution control in the PRC has been expanding, and the emphasis includes the treatment of black odor water, urban sewage, rural sewage and highly-concentrated refractory wastewater in industrial wastewater. The government will put more effort to strengthen regulation on environmental protection and increase of investment in environmental protection industry, there will be huge room for market growth in the future. On 21 August 2018, the Group has completed the acquisition of Huge East Investment Limited ("Huge East"). The wholly owned subsidiary of Huge East in the PRC Company is principally engaged in environmental treatment business, including but not limited to sewage treatment and river ecosystem restoration. The Group has expanded its environmental protection business and consolidated its market position and presence in the PRC.

Results

For the six months ended 30 September 2018 (the "Reporting Period"), the Group's total revenue was HK$111.38 million (30 September 2017: HK$89.26 million) and the profit attributable to owners of the Company amounting to approximately 23.06 million (30 September 2017: HK$18.52 million) and basic earnings per share of approximately HK3.38 cents (30 September 2017: HK2.73 cents retrospectively adjusted for the Share Subdivision). The Board recommend the payment of an interim dividend of HK2.20 cents per share for the Reporting Period (30 September 2017: HK4.00 cents per ordinary share before the effect of the Share Subdivision).

Revenue

During the Reporting Period, the cigarette packaging materials business recorded a revenue of approximately HK$105.42 million (six months ended 30 September 2017: HK$89.07 million), representing an increase of approximately HK$16.35 million or 18% as compared with the corresponding period in 2017. The environmental treatment business recorded a revenue of approximately HK$5.96 million (six months ended 30 September 2017: HK$0.19 million), which represents an increase of approximately HK$5.77 million as compared with the corresponding period in 2017. The increase in revenue from environmental treatment business was mainly attributable to the revenue from Huge East and its subsidiary in PRC.

BUSINESS REVIEW *(continued)*

Gross Profit

The overall gross profit of the Group during the Reporting Period was approximately HK$41.01 million, (30 September 2017: HK$34.46 million) representing an increase by HK6.55 million or 19% which was in line with increase in revenue, as compared with the corresponding period in 2017.

During the Reporting Period, the Group's gross profit margin for sales of cigarette package materials was approximately 37.7% (30 September 2017: 39.1%) representing a decrease of 1.4 percentage points over the same period of 2017. Decrease in profit margin was mainly resulted from the pressure from our customers and the increase in costs of raw materials..

Distribution Costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs during the Reporting Period was approximately HK$0.99 million (30 September 2017: HK$0.90 million) representing an increase of approximately HK$0.09 million or 10% as compared with the corresponding period in 2017. Distribution costs, including travelling expenses of our staff incurred for the sales and distribution activities, were increased in line with the increase in sale volume.

Administrative Expenses

The Group's administrative expenses during the Reporting Period was approximately HK$12.58 million (30 September 2017: HK$12.69 million) representing a slight decrease of HK$0.11 million or 0.9% as compared with the corresponding period in 2017. It was mainly resulted from strengthening the control in the Group's administrative expenses.

Other Losses — Net

During the Reporting Period, the total other losses — net, comprised the changes and disposal of financial assets at fair value through profit and loss and gains or losses from fluctuation of foreign exchange, was HK$3.20 million (30 September 2017: HK$0.39 million). The Group recorded a loss in disposal and changes in financial assets at fair value through profit and loss in the Reporting Period was HK$4.35 million because of the unfavourable condition in the securities market, as compared with a gain of 0.41 million in the corresponding period in 2017. The Group also recorded a gain of HK$1.15 million from foreign exchange (30 September 2017: losses of HK$0.80 million) which were resulted from the fluctuation of Renminbi against Hong Kong dollars over the Reporting Period.

BUSINESS REVIEW *(continued)*

Finance Income

Finance income of the Group during the Reporting Period was approximately HK$4.15 million (30 September 2017: HK$2.21 million) representing an increase of HK$1.94 million as compared with the corresponding period in 2017. Increase in finance income was mainly resulted from the interest income of loans to independent third parties.

Income Tax Expense

The Group's income tax expense of the Group for the Reporting Period was approximately HK$6.53 million (30 September 2017: HK$4.89 million) which was increased by approximately HK$1.64 million as compared with corresponding period in 2017. The effective tax rate of the Group was approximately 22.2% for the Reporting Period, which was slightly increased by 0.6% when compared with approximately 21.6% for the same period in 2017. The Group's main operating subsidiary in the PRC is awarded the High and New Technology Enterprises Certificate enjoying a lower enterprise income tax rate at 15%

Capital Structure, Liquidity and Financial Resources

As at 30 September 2018, the Group's total cash and cash equivalents amounted to HK$207.67 million, (31 March 2018: HK$218.21 million), including restricted cash at banks HK$46.43 million, (31 March 2018: HK$52.60 million) as at 31 March 2018. Most of the Group's cash and cash equivalents are placed as deposits at various banks.

At 30 September 2018, the Group had current assets of approximately HK$396.86 million, (31 March 2018: HK$396.35 million) and current liabilities of approximately HK$105.58 million (31 March 2018: HK$106.12 million). The current ratio (calculated as current assets to current liabilities) increased from 3.73 at 31 March 2018 to 3.76 as at 30 September 2018.

For the six months ended 30 September 2018, the Group's net cash generated from operating activities and investing activities amounted to approximately HK$5.00 million and approximately HK$15.21 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 borrowing as at 30 September 2018 and 31 March 2018.

BUSINESS REVIEW *(continued)*

Prepayments and Other Receivables

As at 30 September 2018, the Group's total prepayments and other receivables, representing the advances to suppliers and services providers and loans to independent third parties, amount to HK$31.64 million (31 March 2018: HK$0.99 million). Increase in other receivable was mainly attributable to the interest bearing loans to more than one independent third party during the Reporting Period (Note 16).

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. During the Reporting Period, the net losses from listed securities was approximately HK$4.35 million (30 September 2017: gains of HK$0.41 million) including the unrealised loss on changes in fair value for HK$3.96 million (30 September 2017: HK$0.84 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.

Financial assets at FVTPL/held-for-trading investments:

	Fair value carrying amount *(Note 1)*	
	30 September 2018 HK$'000	31 March 2018 HK$'000
Equity securities listed in Hong Kong:		
CNG Power (01816)	**9,765**	10,658
Equity securities listed in the PRC:		
Guangdong Liantai (聯泰環保 603797)	**9,588**	13,814
Other listed equity securities *(Note 2)*	**3,775**	6,028
	23,128	30,500

Notes:

(1) Fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

(2) Other listed equity securities comprised 5 equity securities in the PRC (31 March 2018: 4).

BUSINESS REVIEW *(continued)*

Exposure to fluctuations in exchange rate

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

The Group's transactions for our 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. Accordingly, the Group's exposure to RMB currency risk is insignificant.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately HK$0.39 million, (30 September 2017: HK$0.37 million) which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 September 2018, the Group had pledged bank deposits amounting to HK$46.43 million (31 March 2018: HK$52.60 million) as collateral for the Group's notes payable.

Saved as above, no other assets of the Group was pledged.

Contingent liability

The Group has no significant contingent liabilities as at 30 September 2018 and 31 March 2018.

Capital commitments

As at 30 September 2018, the Group had capital commitments for the amount of approximately HK$0.70 million (31 March 2018: HK$0.29 million) for acquisition of property, plant and equipment.

FUTURE OUTLOOK

Looking ahead, the Group keeps reviewing on its cigarette packaging business to determine future directions. The Group will continue to strengthen its position in this market and also remain cost conscious through stringent cost control measures in order to improve our performance. Meanwhile, the new member of the Group, Huge East, will strive to bid for new sewage treatment projects. On the other hand, we will proactively seek business opportunities that will contribute and sustain the Group's future development on generating better return to shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 350 staff at market remunerations with staff benefits including salaries, overtime payment and discretionary bonus, share options, other staff benefits and contributions to retirement schemes. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director or executive is involved in dealing his own remuneration.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

On 10 August 2018, a wholly owned subsidiary of the Company, China Environmental Holdings Limited, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Huge East. For further details, please refer to the announcements of the Company dated 10 August 2018 and on 21 August 2018.

Saved as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the Reporting Period.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK2.20 cents per share (30 September 2017: HK4.00 cents per ordinary share before the effect of the Share Subdivision). The interim dividend will be paid on or around 20 December 2018 to shareholders whose names appear on the Register of Members of the Company on 12 December 2018.

CLOSURE OF REGISTERED MEMBERS

The register of members of the Company will be closed from 10 December 2018 to 12 December 2018 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2018. In order to be qualified for the interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 7 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the period under review.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2018, the interests and short positions of the directors and chief executives of the Company in the shares of the Company which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO"); or (b) were required under Section 352 of the SFO, to be entered in the register required to be kept by the Company referred to in that section; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchanges were as follows:

Long positions of Directors' interests in securities of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Number. of Underlying shares held (3)	Percentage of Interest (2)
Mr. Zheng Andy Yi Sheng	Interests held by a controlled corporation(1)	450,000,000	–	64.83%
Mr. Zheng Minsheng	Beneficial owner		1,200,000	0.17%
Mr. Lau Kwok Hung	Beneficial owner		400,000	0.06%
Mr. Ma Wenming	Beneficial owner		400,000	0.06%
Mr. Fok Po Tin	Beneficial owner		400,000	0.06%

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Long positions of Directors' interests in securities of the Company *(continued)*

Note:

(1) These shares were held by SXD Limited, a controlled corporation of Mr. Zheng Andy Yi Sheng.

(2) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2018.

(3) Further details of the share options are set out in the section headed "Share Option Scheme".

Save as disclosed above, as at 30 September 2018, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the Shares of the Company

Name of Shareholders	Nature of interest	Number of ordinary shares held *(Note (i))*	Approximate percentage of the total issued share capital
SXD Limited	Beneficial interest	450,000,000 (L)	64.83%
Mr. Zheng Andy Yi Sheng *(Note ii)*	Interest held by a controlled corporation	450,000,000 (L)	64.83%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long position in the Shares of the Company *(continued)*

Notes:

(i) The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

(ii) Mr. Zheng Andy Yi Sheng is the beneficial owner of the entire issued share capital of SXD Limited and is deemed to be interested in the 450,000,000 shares held by SXD Limited under the SFO.

Save as disclosed above, as at 30 September 2018 there was no other person so far known to our Directors or chief executives of the Company having an interest or short position in shares and underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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.

SHARE OPTION SCHEME *(continued)*

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.

On 15 January 2015, the Board granted a total of 30,000,000 share options under the Share Option Scheme adopted by the Company on 14 November 2013 to certain eligible persons to subscribe, in aggregate, for up to 30,000,000 ordinary shares of HK$0.01 each in the share capital of the Company subject to acceptance of the eligible persons. The exercise price was HK$2.58 per ordinary share. The validity period of option period is 5 years commencing from 15 January 2015 and expiring on 14 January 2020 (both days inclusive). The number of share option was adjusted upon Share Subdivision (Note 21 (a) to the consolidated financial statements) on 25 January 2018 and the exercise price was adjusted to HK$1.29.

SHARE OPTION SCHEME *(continued)*

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

Category of grantees	Date of grant of share options	Exercisable period *(Note 1)*	Exercise price (HK$)	Number of options: Outstanding at 1 April 2018	Number of options: Number of options granted	Number of options: Number of options exercised	Number of options: Number of options lapsed	Number of options: Outstanding at 30 September 2018
Directors								
Mr. Zheng Minsheng	15.1.2015	15.1.2016 — 14.1.2020	1.29	1,200,000	–	–	–	1,200,000
Mr. Lau Kwok Hung	15.1.2015	15.1.2016 — 14.1.2020	1.29	400,000	–	–	–	400,000
Mr. Ma Wenming	15.1.2015	15.1.2016 — 14.1.2020	1.29	400,000	–	–	–	400,000
Mr. Fok Po Tin	15.1.2015	15.1.2016 — 14.1.2020	1.29	400,000	–	–	–	400,000
Total – Directors				2,400,000	–	–	–	2,400,000
Employees in aggregate	15.1.2015	15.1.2016 — 14.1.2020	1.29	39,660,000	–	–	6,040,000	33,620,000
Other participants in aggregate	15.1.2015	15.1.2016 — 14.1.2020	1.29	8,000,000	–	–	280,000	7,720,000
Total				**50,060,000**	**–**	**–**	**6,320,000**	**43,740,000**

Note:

(1) The option period of the options granted on 15 January 2015 is 5 years whereas the vesting period is 1 year. The options vest in 4 installments: (i) 25% after 1 year from the date of grant; (ii) 25% after 2 years from the date of grant; (iii) 25% after 3 years from the date of grant; and (iv) 25% after 4 years from the date of grant.

(2) The number of share option was adjusted upon Share Subdivision (Note 21 (a) to the consolidated financial statements) on 25 January 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The 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 six months ended 30 September 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.4.1

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(continued)*

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 period under review, an Independent Non-executive Director was unable to attend the general meetings of the Company as he was out of town or had other engagements.

Code Provision C.1.2

Under 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 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 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 six months ended 30 September 2018.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, there was no change to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the six months ended 30 September 2018.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Lau Kwok Hung (Chairman), Mr. Fok Po Tin and Mr. Ma Wenming. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this interim report as well as the Interim Financial Information.

By order of the Board
Huaxi Holdings Company Limited
Zheng Andy Yi Sheng
Chairman

Hong Kong, 23 November 2018