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 2018/2019

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This Annual Report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director
Mr. Hao Jiming

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

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 CHINA

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,

On behalf of the board of directors of Huaxi Holdings Company Limited (the "Company") and all of its subsidiaries, I hereby report to you the results of the Group as of 31 March 2019.

Huaxi Holdings demonstrated extraordinary results to the market and investors in 2018. The Group recorded an increase in both revenue from cigarette packaging and environmental treatment business as compared to 2017/18. The Group's profit attributable to shareholders for 2018/19 increased from HK$32.22 million in 2017/18 to HK$56.30 million, representing a growth of 75%.

In view of the Group's healthy financial position, the board of directors has proposed a final dividend of HK3 cents per ordinary share for the year ended 31 March 2019, together with an interim dividend of HK2.2 cents per share, bringing the total dividend per share to HK5.2 cents for the year.

In the face of continued global volatility in 2018, I fully affirmed the Company's new breakthroughs in the performance of cigarette packaging materials business and development of environmental water treatment projects. The Group is all united and committed to achieving our three goals of "Brand Establishment (樹立品牌)", "Market Exploration (開拓市場)" and "Being Honest and Trustworthy (誠實守信)".

BUSINESS REVIEW

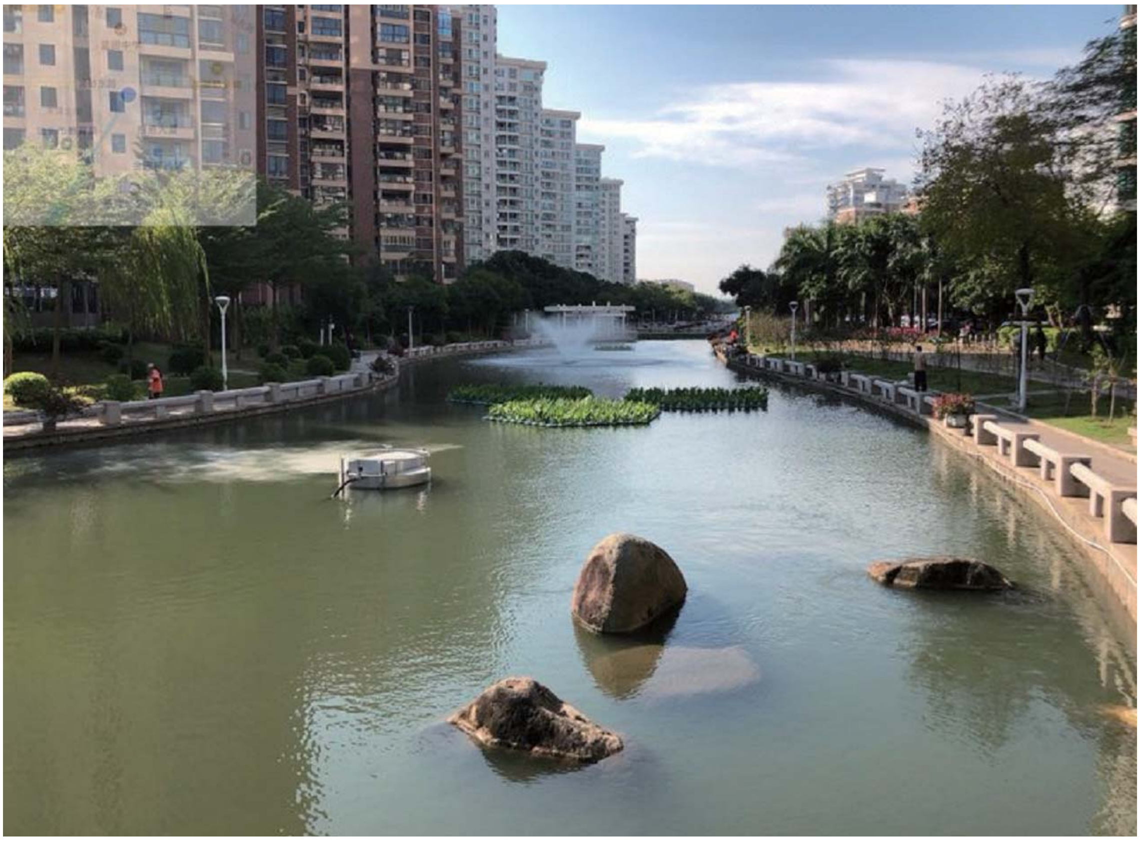
Cigarette Packaging Materials Business

The "Healthy China 2030 Plan (健康中國2030規劃)" issued by the Central Government and the State Council clearly set out specific development goals for smoking ban and tobacco control. By 2030, the current 27% of smoking population in China will be reduced to 20%. This will have a huge impact on the development of tobacco industry in China, and data showed that national cigarette sales have declined for two consecutive years, with a decrease of 264.0 billion sticks to 2,349.0 billion sticks from 2015 to 2017. Such downtrend ended in 2018 and sales rebounded slightly to 2,372.0 billion sticks.

Facing the severe challenges in the industry environment, our Xinda Color Printing team demonstrated its persistent pursuit of brand connotation and service spirit, and continued to create products and services that satisfy customers and maintain a good development trend for our cigarette business.

Environmental Treatment Business

In early 2018, comprehensive implementation of "Provincial Prevention and Control of Pollution (省污染防治攻堅戰)" has been initiated in Guangdong Province and significant endeavor has been devoted to improving the water quality of the section to achieve national and provincial standards. According to the requirements of "Water Pollution Prevention Action Plan (水污染防治行動計劃)", "Three-year Action Plan for the Prevention and Control of Pollution in Guangdong Province (2018-2020) (廣東省打好污染防治攻堅戰三年行動計劃2018-2020年)" and "Implementation Guideline for Water Pollution Prevention Action Plan in Guangdong Province (廣東省水污染防治行動計劃實施方案)", the quality of more than 83.1% of surface water in the province should be maintained at an excellent condition in 2019, reaching Class (III) under the national water quality standards, while the proportion of the inferior Class (V) water should be controlled within 4.2%. The inferior Class (V) water shall be eliminated by 2020. The quality of centralized drinking water sources for major urban centres at prefecture and county level needs to maintain at Class (III), and 90% of black and odorous water bodies be eliminated.



At the technological level, the Group has formed strategic cooperation with top domestic research institutes such as School of Environment at Tsinghua University and mastered advanced technologies for environmental treatment in river basins.

During the preparation stage, our Hongdong Treatment team binds by three guiding principles: "precision", "quantification" and "optimization", we collect varieties of data and draft the master plan based on systemic thinking. In order to meet customer's goal of water quality improvement and to minimize the input cost at the same time, Hongdong team has worked out a comprehensive and overall solution for water environment improvement in the river basin by identifying the primary environmental problems in the river basin, combining with the development plan of the river basin, following the principle of "Adapting Measures to Local Conditions; One River, One Design (因地制宜，一河一策)" and giving full consideration to technical feasibility and economic practicality, on the basis of full investigation of the river system, sources of pollution, water environment conditions, equipment for sewage interception and pollution control in the river basin.

Our Hongdong Treatment team has successfully completed all construction requirements at the "four urban streams" treatment project in Shantou City (汕頭市四溝治理項目) at the end of November 2018, and plans to begin a three-year maintenance period in June 2019. The central drainage channel and water gate treatment project in Shiwan Town, Guangdong Province has been successfully carried out in this year with the completion of river sewage interception and ecological restoration works.

PROSPECTS

At the National Tobacco Working Meeting (全國煙草工作會議) in early 2019, an official at the Ministry of Industry and Information Technology pointed out that the tobacco industry should vigorously reduce costs, implement lean manufacturing practices, and adjust industrial as well as social inventories. It is now predicted that competition among tobacco companies will become increasingly fierce in 2019; however, as a product that can provide considerable profits and taxes, tobacco has extremely high economic value and therefore the profitability of the tobacco industry may improve in the future.

The environmental water treatment market in Guangdong will provide a significant growth opportunity for the Group. The provincial government continues to carry out comprehensive river improvement works in 2019, establishing water quality milestones for rivers in Huizhou and Zhongshan, rivers that connect with the oceans to eliminate the existence of inferior Class (V) water by the end of the year. The Provincial Department of Ecology and Environment (省生態環境廳), the Housing and Urban-Rural Development Department (住房城鄉建設廳), the Provincial Department of Industry and Information Technology (省工業與信息化廳) and the Water Resources Department (水利廳) will jointly participate in the formulation of "Water Pollution Prevention Action Plan". Hongdong Treatment, being a subsidiary of Huaxi Group, is well prepared to cooperate with our customers and endeavour to meet the water quality milestones, and is confident and capable of delivering exceptional values to our shareholders in the coming year under the premise of improving our technological know-how, management structure and extending our construction qualifications.

Finally, I would like to express my most sincere gratitude to the dedicated efforts and unremitting support of our shareholders, board members, management team and all fellow staff which contributed to the glorious development and performance of Huaxi Group.

Zheng Andy Yi Sheng
Chairman
Hong Kong, 21 June 2019

BUSSINESS AND OPERATIONS REVIEW

The principal activities of the Group were manufacturing and sales of cigarette packaging materials (the "**Cigarette Packaging Business**") and environmental treatment business (the "**Environmental Treatment Business**") in the People's Republic of China (the "**PRC**").

The growth of tobacco and cigarette business in China was limited because of the tobacco control policy the PRC. However, the number of smokers in China increased from 300 million to 350 million in 2018. The consumption of cigarette increased from 2,349 billion sticks in 2017 to 2,372 billion sticks in 2018. After the destocking policy of our major customers since 2016, their purchase orders resumed normal in the last year.

Under The Clean Water Action Plan (水十條), the PRC government will put more effort to strengthen regulations on the environmental protection and invest more resources in the environmental protection industry. The acquisition of Huge East Investment Limited ("**Huge East**") in August 2018 boosted the Group's revenue in the Environmental Treatment Business.

For the financial year ended 31 March 2019 ("**FY2018/19**"), the revenue of the Group was approximately HK$262.19 million, representing an increase of HK$53.11 million or 25% as compared with HK$209.08 million for the year ended 31 March 2018 ("**FY2017/18**"). Revenue from the Cigarette Packaging Business was approximately HK$216.53 million (FY2017/18: HK$206.81 million) and the Environmental Treatment Business was approximately HK$45.66 million (FY2017/18: HK$2.27 million) which contributed approximately 83% (FY2017/18: 99%) and 17% (FY2017/18: 1%) respectively of Group's revenue.

Cigarette Packaging Business

In FY2018/19, the revenue from the Cigarette Packaging Business was approximately HK$216.53 million, representing an increase of HK$9.72 million or 5% as compared with approximately HK$206.81 million in FY2017/18. The increase in sales was primarily attributable to the increase of cigarette consumption in China and the purchase orders from our major customers resuming normal after their destocking policy since 2016. The following table sets forth the breakdown of the Group's revenue from sales of cigarette packaging materials in FY2018/19 and FY2017/18:

	FY2018/19		FY2017/18	
	HK$ '000	**%**	HK$ '000	%
Inner Frame paper	**117,734**	**54.4**	105,681	51.1
Tipping paper	**56,537**	**26.1**	52,905	25.6
Cigarette box frame paper	**30,721**	**14.2**	35,284	17.1
Cigarette trademark label	**10,093**	**4.7**	4,365	2.1
Cigarette paper box	**805**	**0.4**	1,285	0.6
Transfer printing cardboard and transfer art paper	**322**	**0.1**	7,225	3.5
Others	**318**	**0.1**	67	0.0
Total	**216,530**	**100.0**	206,812	100.0

Environmental Treatment business

In FY2018/19, total revenue from the Environmental Treatment Business was approximately HK$45.66 million, representing an increase of HK$43.39 million or 1,911% as compared with approximately HK$2.27 million in FY2017/18. The increase was resulted from the acquisition of Hugh East. The total revenue from the Environmental Treatment Business comprised two new eco-rehabilitation projects in Shantou and Huizhou operated by Hugh East, for approximately HK$28.15 million and approximately HK$13.36 million respectively (FY2017/18: Nil), and the water quality maintenance service in the basin from Dong Tang to Tao Chen Sha Xi for approximately HK$4.15 million (FY2017/18: HK$2.27 million).

Gross Profit and Gross Profit Margin

In FY2018/19, the overall gross profit of the Group was approximately HK$92.17 million (FY2017/18: HK$75.33 million) which comprised approximately HK$78.08 million (FY2017/18: HK$75.84 million) from the Cigarette Packaging Business and HK$14.09 million (FY2017/18: losses of HK$0.51 million) from Environmental Treatment Business. In FY2018/19, the overall gross profit margin was 35% which decreased slightly by 1% from 36% in FY2017/18. The gross profit margin for the Cigarette Packaging Business was approximately 36% in FY2018/19, representing a decrease of less than 1% over the same period in FY 2017/18. The gross profit margin was quite steady because of the effective procurement and cost control. The gross profit margin for the Environmental Treatment Business was approximately 31% compared to the gross loss of 22% over the corresponding period in FY 2017/18.

Distribution Expenses

In FY2018/19, distribution expenses of the Group was amounted to approximately HK$2.38 million (FY2017/18: HK$2.22 million) which was increased in line with the sales of the Group.

Administrative Expenses

The Group's administrative expenses in FY2018/19 was approximately HK$31.85 million (FY2017/18: HK$28.33 million) increased by approximately HK$3.52 million. The increase of administrative expenses was mainly due to the expenses in related to the acquisition of Huge East and its routine administrative expenses.

Other Gains/(Losses) — Net

In FY2018/19, the total other gains/(losses) — net, comprised the foreign exchange gains/(losses), dividend income from financial assets at fair value through profit or loss ("**FVPL**"), losses on disposal of financial assets at FVPL and unrealised gains/(losses) on changes in fair value of financial assets at FVPL was approximately HK$2.05 million (FY2017/18: losses of HK$9.33 million). Due to the favourable condition in the securities market in FY2018/19, the Group recorded a gain of approximately HK$0.86 million from a combined impact of dividend income from financial assets at FVPL, losses on disposal of financial assets at FVPL and unrealised gains on changes in fair value of financial assets at FVPL (FY2017/18: losses of approximately HK$6.52 million). In FY2018/19, the Group also recorded a gain of approximately HK$1.19 million from foreign exchange (FY2017/18: losses of HK$2.81 million) which was resulted from the fluctuation in exchange rate of Renminbi against Hong Kong dollars.

Finance Income

In FY2018/19, the finance income was primarily consist of interest income on certain non-derivative wealth management products and loans to independent third parties. Net financial income was approximately HK$9.08 million (FY2017/18: HK$4.91 million).

Taxation

Tax expense of the Group increased by approximately HK$4.52 million, from approximately HK$9.10 million in the FY2017/18 to approximately HK$13.62 million in the FY2018/19. Increase in tax expense was due to increase in profit before income tax and certain non-deductible expenses occurred during the year. The income tax rate of Shantou Xinda Colour Printing & Packaging Material Company Limited (an indirectly wholly owned subsidiary of the Company) is 15% under the High & New Technology Enterprise Certificate (the "**Certificate**"). The Certificate was renewed for three years effective from 1 January 2017.

Profit Attributable to Owners of the Company

In FY2018/19, the Profit attributable to owners of the Company was approximately HK$56.30 million representing an increase of approximately HK$24.08 million as compared with approximately HK$32.22 million in FY2017/18. The increase was mainly attributable to an increase in revenue and gross profit from the Cigarette Packaging Business and the Environmental Treatment Business and an increase in other gains — net and finance income during the period under review.

Dividends

The Board has recommended to declare a final dividend of HK3.0 cents per ordinary share for the year ended 31 March 2019 (the "**Final Dividend**") (FY2017/18: HK2.3 cents per ordinary share) whose names appear on the Register of Members of the Company on 3 September 2019. During the current year, the Board declared and paid an interim dividend of HK2.2 cents per share for the six months ended 30 September 2018. The Final Dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**AGM**") and will be paid on 12 September 2019.

Financial Assets at FVPL

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 FY2018/19, the gains from listed securities was approximately HK$0.86 million (FY2017/18: losses of HK$6.52 million) including the unrealised gains on changes in fair value for HK$1.22 million (FY2017/18: losses of HK$6.15 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 2019 and 31 March 2018, the Group held the following financial assets at FVPL:

	Number of shares	**31 March 2019 HK$'000**	31 March 2018 HK$'000
Equity securities listed in Hong Kong			
CNG Power (01816)	5,250,000	**11,498**	10,658
Equity securities listed in the PRC			
Guangdong Liantai (聯泰環保 603797)	650,000	**11,420**	13,814
Other equity securities *(Note)*		**5,675**	6,028
		28,593	30,500

Note: Other listed equity securities comprised 6 equity securities listed in the PRC.

Capital Structure, Liquidity and Financial Resources

As at 31 March 2019, the Group's total cash and restricted cash balances amounted to approximately HK$266.81 million (31 March 2018: HK$218.21 million) including restricted cash of HK$42.29 million (31 March 2018: HK$52.60 million) and cash and cash equivalent HK$224.52 million (31 March 2018: HK$165.61 million).

In FY2018/19, the Group's net cash generated from operating activities and investing activities amounted to approximately HK$100.22 million and HK$7.43 million respectively and net cash used in financing activities amounted to HK$30.87 million. 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 2019 and 2018 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 FVPL, other receivables and other payables and accruals denominated in HK$ and US dollar. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

Capital Expenditure

In FY2018/19 the Group's total capital expenditure amounted to approximately HK$19.64 million (FY2017/18: HK$1.26 million), which was used in the acquisition of property, plant and equipment, intangible assets and prepayments for non-current assets.

Charge on Assets

As at 31 March 2019, the Group placed cash deposits of approximately HK$42.29 million with designated banks as collateral for Group's notes payable (31 March 2018: HK$52.60 million).

Contingent Liabilities

The Group had no contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

Capital Commitments

As at 31 March 2019, the Group had capital commitments for the amount of approximately HK$1.51 million (31 March 2018: HK$0.29 million) for acquisition of property, plant and equipment.

HUMAN RESOURCES

As at 31 March 2019, the Group employed a total of 351 (31 March 2018: 250) permanent employees in the PRC and Hong Kong. Total employee remuneration (including directors' emoluments and benefits) in FY2018/19 amounted to HK$29.14 million (2017/18: HK$22.01 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 spite of the tobacco control policy, sales of cigarette market in the PRC still recorded an increase for less the 1%. The number of smokers is expected to grow stably. The company will devote more resources to the design and quality of new products so as to strengthen our relation with existing customers and also explore potential customers to expand our market share. We will continue to improve our operational efficiency, lower operating costs and management expenses to enhance profitability of the Group.

The PRC government's policy is to put more resources to the environmental protection. The Clean Water Action Plan (水十條) provide a lot of business opportunities for the Environmental Treatment Business. We will seize the opportunities to seek for new sewage treatment projects to widen our revenue streams and bring greater return to the Shareholders. The Group will be awarded the second grade qualification of Contractor for Municipal Public Project (二級市政公用工程施工總承包許可證) and the second grade qualification of Contractor for Environmental Engineering Projects (二級環保工程專業承包許可證) soon. With these qualifications, we can undertake most of the municipal works and environment treatment projects.

Looking forward, we will continue with our existing businesses and focus more on locating other business opportunities, especially the Environmental Treatment Business, so as to generate higher returns for the Shareholders.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 21 August 2018, the Group completed the acquisition of the entire issued share capital of Huge East (together with its subsidiary at a total consideration of HK$31.16 million, which was satisfied by way of issuance and allotment of an aggregate of 15,580,000 new ordinary shares of the Company.

Save as disclosed above, the Group has no other material acquisitions or disposals of subsidiaries and associated companies in FY2018/19.

EXECUTIVE DIRECTORS

Mr. ZHENG Andy Yi Sheng, aged 58, was appointed as a Director on 29 April 2013 and re-designated as an executive Director, chairman of the Board and chief executive officer and chairman 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. Zheng Minsheng, an executive director of the Company.

Mr. ZHENG Minsheng, aged 55, 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 Yi Sheng, an executive Director, chairman of the Board and chief executive officer of the Company.

NON-EXECUTIVE DIRECTORS

Mr. HAO Jiming, aged 73, was appointed as a non-executive Director on 24 July 2013. Mr. Hao graduated from Civil Engineering Department of Tsinghua University in 1970, majoring in water supply and sewage engineering. He obtained a master degree in engineering from Tsinghua University in 1981. In 1984, Mr. Hao obtained a doctorate degree in Civil and Environmental Engineering Department from the University of Cincinnati. Mr. Hao was elected as a member of the Chinese Academy of Engineering in 2005 and a foreign member of National Academy of Engineering of the United States America in 2018. Since 1970, Mr. Hao had been working at Tsinghua University as lecturer, professor and the dean of the Environment Science and Engineering Department in 1999. Mr. Hao has been an independent director of Keda Clean Energy Co., Ltd. (廣東科達潔能股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600499) since August 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kwok Hung, aged 72, 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 and formerly, was a fellow of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants. Mr. Lau holds a Senior Executive Master Degree in Business Administration from Charles Darwin University. He also obtained a Diploma in Insolvency issued by the Hong Kong Institute of Certified Public Accountants and an Executive Diploma in International Business Valuation issued by the School of Professional and Continuing Education of the University of Hong Kong He has extensive experience in financial accounting, auditing, taxation, company secretarial matter and corporate finance, especially in mergers, acquisitions and corporate restructuring. Mr. Lau is currently an independent non-executive director of Mayer Holdings Limited (stock code: 1116).

Mr. MA Wenming, aged 76, 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 59, 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. He holds a Bachelor's degree in Business Administration with honours from the Chinese University of Hong Kong and a Bachelor's degree in Laws from the Peiking University. He also completed the Common Professional Examination in HKU School of Professional and Continuing Education in 1992. He is a practicing solicitor of the High Court of Hong Kong and is the principal of Henry Fok & Company, Solicitors. Mr. Fok has over twenty years of extensive experience as a solicitor of general practice and is very familiar with commercial law.

SENIOR MANAGEMENT

Mr. HUANG Bongde, aged 56, 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 57, 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 38, 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 worked as a drawing designer in Shantou Zhaohua Electric Company Limited during the period between 1999 and 2006. He completed a course in economic management in South China University of Technology in July 2005 and has been awarded the qualification of intermediate economist in human resources by Ministry of Human Resources and Social Security of the People's Republic of China in January 2010.

Mr. TANG Jinhai, aged 45, 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 61, 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 2019.

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 2019 and the financial position of the Group as at 31 March 2019 are set out in the consolidated financial statements on pages 48 to 107 of this report.

DIVIDENDS

The board of directors of the Company recommended the payment of a final dividend of HK3.0 cents per share for the year ended 31 March 2019 (31 March 2018: final dividend of HK2.3 cents per share) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 3 September 2019 which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and will be paid on 12 September 2019.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled to be held on Friday, 23 August 2019 (the "**AGM**"). The register of members of the Company will be closed from Tuesday, 20 August 2019 to Friday, 23 August 2019, both days inclusive, for the purpose of identifying Shareholders who are entitled to attend the AGM, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM. All transfer shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 August 2019.

The record date for entitlement to the proposed final dividend is on Tuesday, 3 September 2019. To ascertain the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 30 August 2019 to Tuesday, 3 September 2019 (both days inclusive), during which no transfer of shares will be registered.). The last day for dealing in Shares cum entitlements to the proposed final dividend will be on Tuesday, 27 August 2019. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 29 August 2019.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the Chairman's Statement as well as the Management Discussion and Analysis on pages 3 to 5 and pages 6 to 10 respectively of this annual report which forms part of this Directors' Report.

MAJOR RISKS AND UNCERTAINTIES

An effective risk management framework provides the Group with a solid foundation for sustainable growth of business. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders. Key risks and uncertainties faced by the Group are listed below:

The business of the Group relies heavily on limited number of major customers 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. We are also committed to interface with our customers at all levels to better understand their needs.

Growth of Cigarette Packaging Business is limited by the tobacco control policy. Under this policy, smoking in public and indoor area are prohibited in many major cities. Sales of cigarette may be may be adversely affected in the future. The management has developed strategies to diversify the Group's business and seek for other investments with potential for growth, including but not limited to, Environmental Protection Businesses to broaden the income source.

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

As an entity incorporated in the Cayman Islands and listed in Hong Kong, the Company is mainly governed by the Companies Law (2016 revision) of the Cayman Islands, the Companies Ordinance (Cap. 622), the Securities and Futures Ordinance (Cap. 571), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") on the corporate level. The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules, and each of its committee has its own term of reference defining their respective rights, duties and obligation. During the year under review, to the best of the Directors' knowledge, there is no material breach of or non-compliance with 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 108 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 2019 and 2018.

SUBSIDIARIES

The details of the Company's principal subsidiaries as at 31 March 2019 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 27 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 2019, profit attributable to equity shareholders, before dividends, of approximately HK$175.76 million (31 March 2018: approximately HK$151.10 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 51 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the aggregate revenue attributable to the Group's five largest customers accounted for approximately 95% (2017/18: 93%) and the largest customer accounted for approximately 56% (2017/18: 65%) of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 58% (2017/18: 44%) and the largest suppliers accounted for approximately 15% (2017/18/: 14%) of the Group's total purchases.

At no time during the year have the Directors, their associates or any Shareholders, who to the knowledge of the Directors own more than 5% of the issued share capital of the Company, had any interest in these major customers and supplier.

CONNECTED AND RELATED PARTY TRANSACTIONS

Material related party transactions entered into by the Group during the year ended 31 March 2019, 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 33 to the consolidated financial statements.

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HUGE EAST INVESTMENT LIMITED

On 10 August 2018, China Environmental Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a vendor to acquire the entire issue share capital of Huge East Investment Limited ("**Huge East**") at a consideration of HK$31,160,000 which shall be satisfied by way of the issue and allotment of 15,580,000 new shares of the Company. Huge East and its subsidiary are principally engaged in Environmental Treatment Business, including but not limited to sewage treatment and river ecosystem restoration. For further details, please refer to the Company's announcements on 10 August 2018 and 21 August 2018.

DIRECTORS

Composition

The Directors during the financial year ended 31 March 2019 and up to the date of this report were/are:

Executive Directors

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

Non-executive Director

Mr. Hao Jiming *(appointed on 15 April 2019)*

Independent non-executive Directors

Mr. Lau Kwok Hung
Mr. Fok Po Tin
Mr. Ma Wenming

Biographical details of the Directors are set out on pages 11 to 12 of this annual report.

Mr. Hao Jiming has been appointed as a non-executive Director with effect from 15 April 2019. Pursuant to Article 112 of the Articles of the Association of the Company, Mr. Hao will hold office until the AGM and, being eligible, offer himself for re-election.

Pursuant to Article 108(a) of the Articles of the Association of the Company Mr. Lau Kwok Hung and Mr. Ma Wenming will retire by rotation at the AGM and, being eligible, offer themselves for reelection.

DIRECTORS' SERVICE CONTRACTS

Each of the 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.

The non-executive Directors has signed an appointment letter with our Company for an initial term of three years commencing from 15 April 2019 subject to the early termination provisions contained therein.

Each of the 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 under review and up to the date of this report, 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.

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 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 Option Scheme as at 31 March 2019

Category of grantees	Outstanding at 1 April 2018	Number of options granted	Number of options exercised	Number of options Lapsed	Outstanding at 31 March 2019
Directors					
Mr. Zheng Minsheng	1,200,000	–	–	–	1,200,000
Mr. Lau Kwok Hung	400,000	–	–	–	400,000
Mr. Ma Wenming	400,000	–	–	–	400,000
Mr. Fok Po Tin	400,000	–	–	–	400,000
Total — Directors	2,400,000	–	–	–	2,400,000
Employees	39,660,000	–	–	6,320,000	33,340,000
Consultants	8,000,000	–	–	–	8,000,000
Total	50,060,000	–	–	6,320,000	43,740,000

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

As at 31 March 2019, 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 ordinary shares and underlying shares of the Company

Name of Directors	Capacity/ Nature of interest *(Note (i))*	Number of ordinary shares held *(Note (i))*	Number of underlying shares held *(Note (ii))*	Total	Issued share capital *(Note (iii))*
Mr. Zheng Andy Yi Sheng	Interest in a controlled corporation	450,000,000		450,000,000	64.83%
Mr. Zheng Minsheng	Beneficial owner		1,200,000	1,200,000	0.17%
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:

(i) These 450,000,000 Shares are beneficially owned by SXD Limited and the entire issued share capital of SXD Limited was legally and beneficially owned by Mr. Zheng Andy Yi Sheng.

(ii) 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.

(iii) The approximate percentage of interests held was calculated on the basis of 694,080,000 ordinary shares of the Company in issue.

Save as disclosed above, as at 31 March 2019, 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 2019, 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 Shareholders	*Notes*	Capacity/ Nature of interests	Number of ordinary shares held	Issued share capital *(Note (iii))*
SXD Limited	*(i)*	Beneficially owned	450,000,000	64.83%
Mr. Zheng Andy Yi Sheng	*(i)*	Interest in a controlled corporation	450,000,000	64.83%
Ms. Chan Annie Ni	*(ii)*	Interest of spouse	450,000,000	64.83%

Notes:

(i) The entire issued share capital of SXD Limited was legally and beneficially owned by Mr. Zheng Andy Yi Sheng.

(ii) Ms. Chen Annie Ni is the spouse of Mr. Zheng Andy Yi Sheng and was accordingly deemed to have an interest in the shares of SXD Limited.

(iii) The approximate percentage of interests held was calculated on the basis of 694,080,000 ordinary shares of the Company in issue.

Save as disclosed above, the Company had not been notified by any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO as at 31 March 2019.

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.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 March 2019. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 March 2019.

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 21 to 28 of this report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 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, 21 June 2019

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 "**Listing Rules**").

The Board of Directors

The Board currently comprises two executive Directors, namely Mr. Zheng Andy Yi Sheng and Mr. Zheng Minsheng; one non-executive Director, namely Mr.Hao Jiming; and three independent non-executive Directors, namely, Mr. Lau Kwok Hung, Mr. Fok Po Tin and Ma Wenming.

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.

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 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.

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.

Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considered all the independent non-executive Directors to be independent. One of the independent non-executive directors possesses appropriate professional qualifications or accounting or related financial management expertise as required under 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 programs during the year end 31 March 2019 are as follows:

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

BOARD MEETINGS

During the year ended 31 March 2019, the Board had held four regular meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. The attendance of each Director at the Company's annual general meeting and four regular Board meetings are set out below:

	Meeting attended / held	
Name of Directors	**Regular Board Meeting**	**Annual General Meeting**
Mr. Zheng Andy Yi Sheng	4/4	1/1
Mr. Zheng Minsheng	3/4	1/1
Mr. Lau Kwok Hung	4/4	1/1
Mr. Ma Wenming	3/4	0/1
Mr. Fok Po Tin	3/4	1/1

BOARD COMMITTEES

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**") 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, with Mr. Ma Wenming and Mr. Fok Po Tin as members. 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 2019, the Audit Committee held two meetings, inter alia, to review the annual results for the financial year ended 31 March 2018 and the interim results for the six months ended 30 September 2018 of the Group and to review the Group's internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. During the year ended 31 March 2019, 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, with Mr. Ma Wenming and Mr. Fok Po Tin as members. All of them are independent non-executive Directors. 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 2019, 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, the chairman of the Board, with two independent non-executive Directors, 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 2019, the Nomination Committee convened one meeting to review the structure, size, composition and diversity of the Board and to consider, nominate and recommend re-appointment of Directors.

Members and their attendance are as follows:

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

Corporate Governance Committee

The CG Committee is currently chaired by Mr. Zheng Andy Yi Sheng, the chairman of the Board, with the executive Director Mr. Zheng Minsheng and the independent non-executive Director, 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 requirements. Details of the authority and duties of the CG Committee are available on the Company's website.

During the year ended 31 March 2019, 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 2019 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 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 2019.

ACCOUNTABILITY AND AUDIT

Directors' responsibility for the financial statements

The Directors acknowledge their responsibilities to prepare consolidated financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group and that of the results and cash flows in the relevant financial year. In preparing the financial statements for the year ended 31 March 2019, the Directors have selected appropriate accounting policies, applied them consistently in accordance with appropriate International Financial Reporting Standards, International Accounting Standards and the related interpretations, and made adjustments and estimates are prudent and reasonable. The Directors' responsibilities for preparing consolidated financial statements are set out in the Independent Auditor's Report on pages 43 to 47. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue its operational existence for the foreseeable future and thus it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

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 2019	1,487
Others (including services related to interim results, review of preliminary announcement of annual results and other non-audit services)	187

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.

An independent review was conducted by the Compliance and Risk Management Manager of the Company over the Group's internal control systems to assist the Board in the risk management and effectiveness of the internal control systems during the year. The reviews have covered all material controls, including financial, operational and compliance controls and risk management functions. Relevant reports 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.

DIVIDEND POLICY

The Company's dividend policy enunciated at the time of initial public offering in 2013 is that it will pay not less than 35% of any net consolidated distributable profit to the Shareholders as dividend. The Board has no present intention to change the policy. However, the declaration, payment and amount of dividends will be subject to the Board's discretion and will consider a number of factors, including but not limited to:

(i) the actual and expected financial performance of the Group;

(ii) the retained earnings and distributable reserves of the Company;

(iii) the liquidity positions of the Group;

(iv) the future cash requirements and availability of the Group, including its expected working capital requirements, capital expenditure requirements and future expansion plans; and

(v) any other factor that the Board may consider appropriate.

The Board will review the dividend policy on a regular basis

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2019.

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 2019, 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.

OUR COMMITMENTS AND POLICIES ON ENVIRONMENTAL PROTECTION, SOCIAL RESPONSIBILITY AND INTERNAL CONTROL

Huaxi Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "we") are well aware of the importance of effective environmental, social and governance ("ESG") initiatives at the operational level. The direction of the Company's ESG work is regulated by the board of directors of the Company (the "Board") to ensure that the environmental, social and governance strategies reflect the Company's core values. While the Board and the management work together to improve the value and performance of the Company, they also assume responsibility for assessing and identifying risks associated with environmental, social and governance matters, and ensuring that relevant risk management and internal control systems operate properly and effectively.

MISSION

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.

The Group focuses on business development in congruence with environmental mindfulness;pursuing product and service excellence while implementing sustainable practices.The Group pivots to gradually building strict environmental protection and management policies,modernizing our production techniques to include more environmentally friendly methods and also acts on giving back to society.We cooperate with domestic and international institutions on formulating long-term goals on sustainable business development.

ABOUT THIS REPORT

This report contains information in relation to the Company's management policies and strategies of environmental, social and governance from 1 April 2018 to 31 March 2019 (the "Reporting Period"), details of which are set out in the relevant sections of this report.

This report 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 included in the Corporate Governance Report on Pages 21 to 28 of this report. Data as disclosed in this report is derived from the in-house statistics and analysis of the Group.

Internal control and formal review procedures had been laid down by the Group to maximise the accuracy and reliability of information presented in this report. The Board of the Company is fully responsible for the development and disclosure of relevant measures and key performance indicators. The Board has reviewed and approved this report in June 2019 to ensure that this report covers the environmental and social issues that are significant to the Group.

CORPORATE OVERVIEW

Shantou Xinda Colour Printing & Packaging Material Co. Ltd. ("Xinda Colour Printing"), a wholly-owned subsidiary of the Company in Shantou City, Guangdong Province, is the fourth largest supplier of cigarette-related packaging materials in Guangdong Province, China. It is principally engaged in manufacturing and sales of cigarette-related packaging materials. In addition, we have expanded into the environmental treatment business through the acquisition of Huge East Investment Limited and its wholly-owned subsidiary, Shantou Hongdong Environmental Treatment Company ("Hongdong Treatment") in August 2018, and established a comprehensive large-scale technical implementation and equipment production base with various functions such as equipment R&D and production, functional ecological restoration plant cultivation and planting, pollutant detection analysis and sludge decontamination preliminary treatment.

STAKEHOLDERS AND MATERIALITY ASSESSMENT

The Company continues to establish a diversified communication channel with stakeholders (including shareholders, customers, employees, suppliers, regulators and the public) to safeguard their interests and determine the long-term development direction of the Company by maintaining a close relationship.

The stakeholder groups, their expectations and their communication channels with the Company are as follows:

Stakeholder	Expectation	Contact and Communication
Shareholder	o Effective management and operational model o Good financial condition o Efficient operating cost and risk control capability o Timely and accurate disclosure of important corporate information o Continuous and steady growth of stock price and dividend	o General meeting o Results briefing o Investor conference o Regular announcement and report o Disclosure of major investment (project) o Publication and communication via corporate website
Employee	o Stable work cycle o Competitive salary o Excellent development platform o Good working environment o Harmonious working atmosphere o Comprehensive employee benefits o Occupational health protection	o Employee representative meeting and conference o Sign a labor contract and purchase social insurance and commercial insurance o Paying housing provident fund for employees o Comprehensive training and development mechanism o Good working environment o Festival care and year-end activities o Regular employee medical examination o Work clothes and protective measures
Customer	o Quality products and services o Clear service standards o Timely delivery o Customer rights protection	o Signing cooperation agreement o Maintaining good communication o Quality traceability mechanism o Corporate brand guarantee
Government and Regulatory Authorities	o Local laws and regulations compliance o Obliging supervision and inspection measures o Timely reporting o Paying taxes levied as required o Corruption-free business behavior o Bearing the social responsibility of a listed company	o Compliance with laws and supervision o Proactive payment of tax payable o Participating relevant meetings and seminars
Supplier	o Long-term stable partnership o Guaranteed stable payment o Promoting industry development and communication	o Supplier periodic assessment and data enhancement o Purchasing price inquiry and comparison system o Code of integrity cooperation o Participating industry association related activities o Collaboration with universities and advanced research institutions
Community and Public	o Improving people’s livelihood o Promoting social management o Charity	o Respond to local disaster relief activities o Setup of support funds o Tree-planting and emission reduction

After communicating with stakeholders and based on an overall assessment of the relevance/importance to the Company, we have identified the following issues as significant to the Company:

Environment	A1	Emissions	A2	Use of Resources
	A1.1	Details of Emissions	A2.1	Total Energy Consumption and Density
	A1.2	Greenhouse Gas Emissions	A2.2	Total Water Consumption and Density
	A1.4	Non-Hazardous Waste	A3	Environment and Natural Resources
	A1.6	Treatment of Hazardous and Non-Hazardous Waste		
Social	B1	Employee	B5	Supply Chain Management
	B1.1	Number of Employee	B6	Product Responsibility
	B2	Health and Safety	B7	Anti-corruption
	B3	Development and Training	B8	Community Investment

ENVIRONMENT

Emissions

The Group undertakes the responsibility of protecting the environment in its daily business and believes that business growth and environmental sustainability are closely related. The Group has developed environmental guidelines and introduced a number of green initiatives to reduce waste and promote efficient use of resources. Through communication and education, we actively encourage employees to protect the environment and lead to environmentally responsible behaviors of all employees in the workplace and their daily life. As the environmental protection industry is a strategic emerging industry highlighted in the 13th Five-Year Plan, as a leading service provider in the environmental protection industry, the Company believes that these strategies will accelerate the development of environmental protection industry in China.

Details of Emissions

The Group complies with relevant environmental laws and regulations such as "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)", "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法)" and "Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)". The Group's businesses have their own environmental, social and governance teams to actively comply with environmental regulations implemented by government departments and to strengthen the Group's overall environmental, health and safety measures. In order to maintain a sustainable business, the Group actively promotes green production measures to ensure operational procedures for energy conservation, low carbon production and resource recycling.

We have followed the "Integrated Emission Standards of Air Pollutants (大氣污染物綜合排放標準)", " Hygiene Standards for Design of Industrial Enterprises (工業企業設計衛生標準)", "Guangdong Vehicle Exhaust Pollution Prevention and Control Regulation (廣東省機動車排氣污染防治條例)" and other policies to ensure that the Company's environmental policies and facilities are in full compliance with national and local regulatory standards. The finance department of the Group's subsidiaries is responsible for collecting and reporting the emission data of each company.

During the reporting period, the Group did not receive any report of significant non-compliance in the environmental aspects.

GREENHOUSE GAS EMISSIONS

Xinda Colour Printing

The production activities of Xinda Color Printing did not directly generate exhaust gas emissions, but some of the production materials such as solvent will volatilize to produce benzene and total volatile organic compounds (TVOCS). At present, all the production workshops and production facilities of the Group are equipped with exhaust gas collection devices for instantaneous exhaust gas collection to deal with source of pollution. The collected exhaust gas will go through the activated carbon adsorption and ultraviolet photolysis purification procedures and only be discharged when relevant environmental protection standards are met. This year, the construction of equipment such as spray towers had been completed and put into use. The "Emergency Response Plan for Environmental Emergencies (突發環境事件應急預案)" formulated by Xinda Color Printing has passed expert's review and filed with relevant government departments.

Hongdong Treatment

Hongdong Treatment did not generate exhaust emissions during operation and production

Exhaust Emission	Unit	Amount
TVOCs	Tonne	7.3
Benzene	Tonne	0.01

Exhaust Emission mainly includes carbon dioxide emissions from equipment and transportation in the production and business processes of enterprises, as well as carbon dioxide emissions generated in the daily operations of enterprises (such as kitchens and dormitory water heaters).

Carbon dioxide emissions are calculated based on gas and electricity consumption (kitchen + dormitory + project), and carbon dioxide emissions can be directly derived from the conversion unit.

Carbon Dioxide Emission	Xinda Colour Printing Amount (Tonne)	Hongdong Treatment Amount (Tonne)	Total (Tonne)
Gas	23.00	–	23.00
Electricity	3,704.00	264.16	3,968.16
Gasoline	33.70	22.34	56.04
Diesel	4.20	–	4.20
Total	3,764.90	286.50	4,051.40

NITROGEN OXIDE AND SULFUR OXIDE EMISSIONS

Nitrogen oxides and sulfur oxides are generated by the combustion of gasoline and diesel. Therefore, it can be converted according to the amount of fuel to obtain a specific amount of emissions.

Nitrogen Oxide:

Nitrogen Oxide Emission	**Xinda Colour Printing** Amount (Tonne)	**Hongdong Treatment** Amount (Tonne)	**Total** (Tonne)
Gasoline	0.3095	–	0.3095
Diesel	0.0144	–	0.0144
Total	0.3239	–	0.3239

Sulfur Oxide:

Sulfur Oxide Emission	**Xinda Colour Printing** Amount (Tonne)	**Hongdong Treatment** Amount (Tonne)	**Total** (Tonne)
Gasoline	0.0043	–	0.0043
Diesel	0.0125	–	0.0125
Total	0.0168	–	0.0168

The Company plants trees in the factory area every year to promote greening and reduce emissions. Employees are encouraged to share a ride whenever possible to reduce the total amount of vehicles used.

NON-HAZARDOUS WASTE

Xinda Color Printing generated solid wastes such as waste empty drums, waste rags, waste lamps and waste activated carbon in the production process. Hongdong Treatment did not generate any solid waste during its daily operation, only domestic wastes generated in daily life. Xinda Color Printing and Hongdong Treatment conduct statistics and the quantities of waste were recorded as follows.

Name of Solid Waste	Xinda Colour Printing Amount (Tonne)	Hongdong Treatment Amount (Tonne)	Total (Tonne)
Empty Bucket	0.500	–	0.500
Rag	0.050	–	0.050
Lamp	0.200	–	0.200
Activated Carbon	0.500	–	0.500
Domestic Waste	8.689	6.360	15.049
Other Non-Hazardous Waste	0.350	–	0.350
Total	9.739	6.360	16.099

TREATMENT OF HAZARDOUS AND NON-HAZARDOUS WASTE

In the process of Hongdong Treatment's river course controlling, sludge will be generated during dredging, domestic garbage will be salvaged on the river surface, and floating bed plants will be harvested. The construction team will compost the harvested floating bed plants for composting or other functions instead of turning into non-hazardous waste. Domestic waste and other non-hazardous wastes are mainly domestic garbage, which are regularly collected and disposed of by the cleaning company.

WASTE WATER MANAGEMENT

Waste water is roughly divided into production wastewater and domestic sewage. The wastewater generated by Xinda Color Printing may include waste ink, machine oil, etc., and domestic sewage is kitchen sewage. Xinda Color Printing’s daily processing capacity is 8 tonnes, and the emission standard is categorised as the first-class standard discharge of the second type of pollutants in the second period of the “Discharge Limit Values of Water Pollutants of Guangdong Province (廣東省水污染物排放限值)” (DB44/26-2001). Basically no wastewater was produced during the operation process of Hongdong Treatment. The wastewater discharge and treatment volume during the reporting period was approximately 2,920 tonnes.

USE OF RESOURCES

Total Energy Consumption and Density

Xinda Color Printing installed a thermal energy recovery device for its equipment, which saved about 2,940 degrees of electricity by recycling the thermal energy generated by machines. In order to reduce energy consumption, the company uses LEDs to save daily electricity consumption, adjusts the timing of automatic factory lighting according to the sunshine duration, and controls the air conditioner's temperature at 25°C during summer. The water quality of Hongdong Treatment's projects is in a good state and therefore requires less equipment. Hongdong Treatment has reduced its investment in electricity consumption by optimizing the layout of electricity in consideration of local landscape.

Type of Energy	Unit	Xinda Colour Printing Amount (Tonne)	Hongdong Treatment Amount (Tonne)	Total
Electricity	Degree/Kw	3,714,705	264,958	3,979,663
Liquefied Petroleum Gas	Kilogram	7,348	–	7,348
Gasoline	Liter	14,666	–	14,666
Diesel	Liter	1,600	–	1,600

Total Water Consumption and Density

Xinda Color Printing targeted to enhance water use efficiency. Xinda Color Printing collected rainwater to irrigate the company's plants and recycled the cooling water from machines to conserve water. According to the company's circulating water consumption this year, about 73,000 tonnes of water was saved during the year. Hongdong Treatment does not require a lot of water in its core business, and its water resources are mainly consumed by employees at the worksite.

	Xinda Colour Printing Amount (Tonne)	Hongdong Treatment Amount (Tonne)	Total (Tonne)
Total Water Consumption	38,790	537	39,327

ENVIRONMENT AND NATURAL RESOURCES

While we are committed to our business development, the Group places an emphasis on the level of environmental protection to our business operations. The Group encourages employees to eliminate disposable tableware and reuse cups and cutlery with disinfection measures in place. Double-sided printing should be adopted whenever possible. Paper, plastic bottles and food residues are separated from the garbage and recycled. Some of the reusable shipping containers and packaging will be recycled and reused by employees. We actively replace oily inks and traditional glues with water-soluble inks and benzene-free glues which are more environmentally friendly.

Xinda Color Printing takes advantage of the rainy characteristic in the Southern region where its factory located to collect rainwater through the park's landscape pool. The collected rainwater is filtered and used for circulating cooling water, fire-protection water and daily irrigation water.

SOCIAL RESPONSIBILITY

The Group understands that employees are the cornerstone of the Group's brand and an important asset of the Group. The Group believes that a proactive and well-balanced talent pool is a key element in building a sustainable business model and creating long-term returns. Therefore, the Group attaches great importance to and safeguards the legitimate rights of employees, provides employees with promising career development opportunities, pays attention to the health and safety of employees, and expresses care and concern to employees, striving to create a comfortable and satisfactory working environment for its employees to grow together with the company.

EMPLOYEE

Number of Employee

Currently, the majority of the employees of the Group are stationed in China. As of 31 March 2019, the Group employed a total of 339 full-time employees at Shantou Xinda and Hongdong Treatment, details of which are set out as follows:

By age	Percentage	By gender	Percentage
< 26	9	Male	74
26–35	35	Female	26
36–45	29		
46–55	23		
> 55	5		

REMUNERATION

The employees of the Group come from various cities in provinces across China. Under the principle of equal pay for men and women at the same position, there is no geographical or gender discrimination. The Group is committed to providing opportunities and platforms for employees to tap into their potential, while their salary will be based on their professional knowledge, occupational skills and actual job performance.

The Group adjusts its remuneration package with reference to the overall performance of the Group and market conditions to ensure that the remuneration given to employees is similar to the market, which can motivate employees to continue to forge ahead.

Employee Benefits:

In accordance with the laws and regulations of China and Hong Kong, the Group formulates fringe benefits for all employees based on the actual conditions of the Group, including:

- Insurance package that comprises five insurances and the housing fund for employees
- Work-related injury insurance for probationary employees and employees engaged in relatively dangerous operation
- Monthly birthday party to celebrate employee birthdays
- Corresponding bonuses and prizes based on production performance
- Free cooling medicines and drinks for employees
- Holiday gifts and year-end prizes for employees
- Festival gifts for employees during Mid-Autumn Festival, Chinese New Year, etc.
- Unscheduled employee group activities (such as tourism, catering, outdoor development, etc.)
- Regular medical examination for employees
- Free summer and winter work clothes for employees
- Accommodation and food or corresponding allowances for resident and foreign employees
- Travelling allowance for employees from other provinces to visit their relatives during Spring Festival or for expatriates to return to their hometown

RECRUITMENT, PROMOTION AND DISMISSAL

The Group conducts recruitment in an open and fair manner, pursuant to which, regardless of their gender, professional talents are recruited with reference to their qualifications, skills and the requirements of the Group to achieve our objective of continuous innovation and evolution. In addition, the Group is in strict compliance with local 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 a series of assessment procedures in place to evaluate the performance of each employee in a more comprehensive and objective manner before determining the employee to be promoted. We oppose any form of discrimination, and hiring and promotion opportunities will not be affected by candidates' physical disability. Therefore, disabled people will also have the opportunity to work and become self-reliant.

The Group has been in compliance with the requirements under the Employment Ordinance of 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 relevant laws and regulations.

HEALTH AND SAFETY

The Group attaches great importance to the physical and mental health of its employees and production safety and has been committed to improving the relevant standards and management level in this regard. The Group strengthened its investment in this area and set up a comprehensive occupational health and safety management system covering policy formulation, program planning, implementation and operation, inspection, correction and rectification, implementation results review and continuous improvement.

Specific measures include:

- Improve the working and production environment, and increase funds allocated for protective equipment for safe production;
- Safety production training is held every quarter to enhance employees’ occupational health and safety mindset;
- Strengthen the regular inspection and maintenance of mechanical equipment to ensure the safe operation of mechanical facilities;
- Strictly control the employment of special operations personnel by checking the corresponding skills certificate and qualification certificate, and ensure that special operations are conducted in accordance with relevant operational practices implemented by local governments;
- Put up a healthcare cabinet to supply prescription drugs and cooling products for bringing down temperature, and protect employees’ health as much as possible;
- Regularly arrange employees for occupational medical examinations to ensure the health of employees and prevent occupational diseases.

All subsidiaries of the Group have passed the GB/T28001-2011 IDT OHSAS18001:2007 Occupational Health and Safety Management System Certification.

DEVELOPMENT AND TRAINING

During the reporting period, Xinda Color Printing and Hongdong Treatment established a series of high-quality skills training courses for employees at all levels to ensure that the company is at the forefront of the industry in all aspects of management, production, safe operation and quality control.

Xinda Color Printing

Date	Training Program	Duration	Number of Participant
29 April 2018	Factory Fire Drill Training	2 hours	128
7 May 2018	Material Factory Key Job Skills Training	2 hours	16
20 June 2018	Material Factory 5S Site Management Training	2 hours	55
18 July 2018	Tipping Paper Factory Key Job Professional Skills Training	2 hours	27
28 August 2018	Tipping Paper Factory 5S Site Management Training	2 hours	34
13 September 2018	Production Quality Management Job Training	4 hours	12
24 October 2018	Environmental Protection Tax Law Training	2 hours	151
16 November 2018	Equipment Management Training	2 hours	5
20 December 2018	Internal Auditor Training	4 hours	6
9 January 2019	Personal Income Tax APP Training	2 hours	185
20 February 2019	Enterprise Management Policy, Objective and Departmental Goal, Indicator Training	2 hours	5
19 March 2019	Tipping Paper Factory Safety Production Operation Training	2 hours	50

Hongdong Treatment

Date	Training Program	Duration	Number of Participant
17 August 2018	Solid Waste and Hazardous Waste Standardized Management Training Course	7 hours	11
30 August 2018	Tax Training Conference	3 hours	1
10 September 2018	Software Application Training	7 hours	1
3 September 2018	Environmental Protection Marine Works Safety Training	4 hours	11
10 September 2018	Fire Safety Training	4 hours	25
21 September 2018	New Employee Collective Induction Training	4 hours	25
24 — 27 October 2018	China Water Environment Model and Smart Decision Training Exchange Meeting	20 hours	2
2 — 28 January 2019	Enterprise Accounting Standards Professional Training	60 hours	5
4 January 2019	Construction Project Safety Training	9 hours	4
7 January 2019	Construction Project Safety Training	4 hours	19
18 March 2019	Security Officer Pre-Test Training	6 hours	6
22 March 2019	R&D Expense and Corporate Income Tax Training	3 hours	2

Labour Standard

We value and observe the regulations of the People's Republic of China and Hong Kong governing employment to safeguard the interests 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.

SUPPLY CHAIN MANAGEMENT

Supplier Quality Supervision

The Group stresses the importance to the mutually beneficial partnership with suppliers in the long term. By designing a survey and assessment system for suppliers admission, we have established a list of qualified suppliers. We perform regular assessments on our suppliers in terms of their supply capacity, product quality, service, integrity, and many other areas. We pay visits to suppliers' production facilities to ensure product quality. Suppliers are selected 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.

PRODUCT RESPONSIBILITY

Being an enterprise with a strong sense of corporate social responsibility, Xinda Colour Printing and the Group obtained the GB/T19001-2008 and ISO9001:2008 certification for our quality management system. The products delivered by the Company are all formulated with internal control standards in line with national standards, and are regularly tested by qualified testing institutions. Subject to a well-established system designed for product batches traceability, every 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 (中華人民共和國產品質量法)", 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 is always in pursuit of better, more comprehensive and more advanced technologies and methods and advancement. QR code technique for traceability management of some of our products had been adopted, which further improved our quality monitoring system. At the same time, the Company is updating its online monitoring system to better control the quality of its products during the production process.

ANTI-CORRUPTION

The employees of the Group must have an in-depth understanding of bribery, extortion, fraud, corruption and related behavior. 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.

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, the Group's subsidiary Xinda Colour Printing & Packaging Material Co. Ltd. is proactively involved in public welfare campaigns organized by these two public interest organizations. Hongdong Treatment is a member of Guangdong Shantou Construction Industry Association (廣東汕頭建築業協會) and a standing director of Guangdong Environmental Protection Industry Association (廣東省環保產業協會).

In August 2018, Hongdong Treatment, a subsidiary of the Group, actively responded to the local government's call for 8.30 flood disaster relief in Shantou City. We organized 10 employees, two disaster relief vessels and a batch of rescue and relief materials to participate in the 8.30 flood disaster relief operation in Shantou City.

Hongdong Treatment participated in the disaster relief operation for 8 hours, successfully assisted the local government and the armed police to transfer 38 people affected by the disaster. Hongdong Treatment also organized its procurement department to urgently purchase a batch of relief materials (mainly food, drinking water and emergency medicine) to serve the local rescue and disaster relief command, and assisted local governments to timely release such materials to the affected people.


情系灾区
广东弘东


情系灾区
粤D·PJ275

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 48 to 107, which comprise:

- The consolidated statement of financial position as at 31 March 2019;
- 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 2019, 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. These matters were 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 these matter.

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Key audit matters identified in our audit are summarized as follows:

- Revenue recognition from sales of cigarette packaging products
- Revenue recognition from construction services

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from sales of cigarette packaging products Refer to Notes 2.21(a) for the accounting policy and Note 6 to the consolidated financial statements. Revenue from sales of cigarette packaging products for the year ended 31 March 2019 amounted to HK$216,530,000, which represented 83% of the Group's total revenue. Revenue from sales of cigarette packaging products is recognised when the Group satisfies a performance obligation by transferring the control of promised goods to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange of that good. We focused 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 2019. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from construction services	
Refer to Note 2.21(b) for the accounting policy, Note 4.1 for the critical accounting estimates and judgements involved and Note 6 to the consolidated financial statements. The Group recognised revenue from construction services of HK$41,506,000 for the year ended 31 March 2019, representing approximately 16% of the Group's total revenue. Revenue from construction services is recognised over contract period by reference to the stage of completion. The stage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budget cost. We focused on this area because the recognition of revenue from construction services involved judgements by management, which mainly included determination of the stage of completion and estimated budget cost.	We understood, evaluated and validated the design and operating effectiveness of the controls over revenue recognition of construction services. Those controls included management's review on the budget cost and the stage of completion for each contract, as well as controls over the aggregated cost incurred. We tested the aggregated cost incurred by examination of supporting documents, including purchase agreements, payment records, receipt notes of materials and labour cost records. With respect to the budget cost for the samples selected, we examined the detailed budget prepared by management. We tested the percentage of completion by performing recalculation, comparing the aggregated cost incurred for individual contract to the estimated budget cost with management's calculation. Based on our audit procedures, we found management's judgements and estimates used in the revenue recognition of construction services were supported by 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, 21 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2019 HK$'000	2018 HK$'000
Revenue	6	**262,187**	209,084
Cost of sales	7	**(170,021)**	(133,754)
Gross profit		**92,166**	75,330
Distribution costs	7	**(2,376)**	(2,224)
Administrative expenses	7	**(31,849)**	(28,326)
Other gains/(losses) — net	9	**2,050**	(9,327)
Operating profit		**59,991**	35,453
Finance income	10	**9,083**	4,907
Profit before income tax		**69,074**	40,360
Income tax expense	11	**(13,624)**	(9,100)
Profit for the year		**55,450**	31,260
Profit/(Loss) attributable to:			
— Owners of the Company		**56,296**	32,215
— Non-controlling interests		**(846)**	(955)
		55,450	31,260
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Currency translation difference		**(22,238)**	33,200
Other comprehensive income for the year, net of tax		**(22,238)**	33,200
Total comprehensive income for the year		**33,212**	64,460
Total comprehensive income attributable to:			
— Owners of the Company		**33,781**	65,773
— Non-controlling interests		**(569)**	(1,313)
		33,212	64,460
Earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)	12		
— Basic earnings per share		**HK8.18 cents**	HK4.75 cents
— Diluted earnings per share		**HK7.94 cents**	HK4.60 cents

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

	Note	31 March 2019 HK$'000	31 March 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**40,035**	40,893
Intangible assets	16	**10,717**	–
Prepaid operating lease	17	**5,648**	6,212
Deferred tax assets	18	**3,609**	4,148
Prepaid expenses		**359**	509
Prepayments for non-current assets	19	**16,321**	–
		76,689	51,762
Current assets			
Inventories	20	**33,355**	33,095
Trade and notes receivable	21	**76,746**	103,071
Contract assets	5(c)	**990**	–
Amounts due from customer for contract work		**–**	10,493
Financial assets at fair value through profit or loss	22	**28,593**	30,500
Prepayments and other receivables	23	**1,703**	985
Restricted cash at banks	24	**42,284**	52,600
Cash and cash equivalents	25	**224,523**	165,608
		408,194	396,352
Total assets		**484,883**	448,114
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**3,471**	3,393
Other reserves	28	**217,501**	208,637
Retained earnings		**151,164**	126,102
		372,136	338,132
Non-controlling interests		**(4,724)**	(4,155)
Total equity		**367,412**	333,977

	Note	31 March 2019 HK$'000	31 March 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*18*	**8,999**	8,014
Other payables	*30*	**933**	–
		9,932	8,014
Current liabilities			
Trade and notes payable	*29*	**71,380**	77,393
Contract liabilities	*5(c)*	**2,904**	–
Other payables and accruals	*30*	**21,332**	18,800
Current income tax liabilities		**11,923**	9,930
		107,539	106,123
Total liabilities		**117,471**	114,137
Total equity and liabilities		**484,883**	448,114

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

The financial statements on pages 48 to 107 were approved by the board of directors on 21 June 2019 and were signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 27)*	**Other reserves** HK$'000 *(Note 28)*	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
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 28)*	–	825	–	825	–	825
Balance at 31 March 2018	3,393	208,637	126,102	338,132	(4,155)	333,977
Year ended 31 March 2019						
Balance at 1 April 2018	**3,393**	**208,637**	**126,102**	**338,132**	**(4,155)**	**333,977**
Comprehensive income						
— Profit/(Loss) for the year	**–**	**–**	**56,296**	**56,296**	**(846)**	**55,450**
— Other comprehensive income	**–**	**(22,515)**	**–**	**(22,515)**	**277**	**(22,238)**
Total comprehensive income	**–**	**(22,515)**	**56,296**	**33,781**	**(569)**	**33,212**
Issuance of ordinary shares	**78**	**31,082**	**–**	**31,160**	**–**	**31,160**
Dividends	**–**	**–**	**(31,234)**	**(31,234)**	**–**	**(31,234)**
Value of employee services under share option scheme *(Note 28)*	**–**	**297**	**–**	**297**	**–**	**297**
Balance at 31 March 2019	**3,471**	**217,501**	**151,164**	**372,136**	**(4,724)**	**367,412**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 March	
	Note	**2019** **HK$'000**	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	31	**110,871**	76,415
PRC enterprise income tax paid		**(10,654)**	(8,962)
Net cash generated from operating activities		**100,217**	67,453
Cash flows from investing activities			
Purchase of property and equipment		**(3,288)**	(1,258)
Prepayments for non-current assets		**(16,321)**	–
Disposal of property, plant and equipment		**411**	–
Purchase of intangible assets		**(29)**	–
Decrease/(Increase) in restricted cash at banks		**10,316**	(6,781)
Loans to third parties		**(49,180)**	–
Repayments of loans from third parties		**49,180**	–
Interest received from loans to third parties		**3,890**	–
Purchase of financial assets at fair value through profit or loss		**(58)**	(17,051)
Net proceeds from disposal of financial assets at fair value through profit or loss		**1,526**	8,882
Interest income from other financial assets		**4,193**	3,011
Interest income from bank deposits		**1,000**	1,896
Net cash acquired from acquisition	26	**5,790**	–
Net cash generated from/(used in) investing activities		**7,430**	(11,301)
Cash flows from financing activities			
Dividends paid		**(30,874)**	(33,925)
Net cash used in financing activities		**(30,874)**	(33,925)
Net increase in cash and cash equivalents		**76,773**	22,227
Cash and cash equivalents at beginning of the year		**165,608**	116,507
Effect of change in exchange rate		**(17,858)**	26,874
Cash and cash equivalents at end of the year	25	**224,523**	165,608

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

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 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 2019.

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 dollars ("**HK$**") unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors (the "**Board**") of the Company on 21 June 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. 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")

The 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 ("**FVPL**"), 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 2018:

- HKFRS 9 "Financial instruments"
- HKFRS 15 "Revenue from contracts with customers"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) New and amended standards adopted by the Group *(continued)*

- Amendments to HKFRS 2 "Classification and measurement of share-based payment transactions"

- Annual improvements 2014–2016 cycle

- Amendments to HKAS 40 "Transfers to investment property"

- Interpretation 22 "Foreign currency transactions and advance consideration"

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(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 2018 and have not been early adopted by the Group:

		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
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	Improvements to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
Amendments to HKFRS 3	Definition of a Business	1 January 2020*
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
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

* Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group, except for HKFRS 16 as disclosed below:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. 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.

Impact

The Group is a lessee of certain offices which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.25, is to record the operating lease expenses in the Group's consolidated statement of comprehensive income for the current year with the disclosure of related operating lease commitments. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position. In the consolidated statement of comprehensive income, as a result, the annual operating lease expenses under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase.

As at 31 March 2019, the Group's total non-cancellable operating lease commitments amounted to RMB1,364,000 (Note 32(b)) and most of the them are short-term leases within one year that can be exempted from reporting obligation under HKFRS 16. The directors consider that the adoption of the new standard will not have material impact on the financial position and financial performance of the Group.

Date of adoption

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

2.2.1 Impact on the financial statements

As explained in Note 2.2.2 and 2.2.3 below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. Certain reclassifications and adjustments are not restated to the statement of financial position as at 31 March 2018, but are recognised in the opening balance on 1 April 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Consolidated balance sheet (extract)	31 March 2018 As originally presented HK$'000	Impact of adoption of HKFRS 15 HK$'000	1 April 2018 Restated HK$'000
Contract assets	–	10,493	10,493
Amounts due from customer for contract work	10,493	(10,493)	–

2.2.2 HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2.11. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated by the Group.

(a) *Classification and measurement*

On 1 April 2018, 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 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.

(b) *Impairment of financial assets*

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. The Group's trade and notes receivable, other receivables and contract assets are subject to new ECL model of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade and notes receivable and contract assets. Impairment of other receivables are measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group has assessed the impact of ECL on financial assets and concluded that the impact is insignificant as at 1 April 2018 and during current reporting period.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies *(continued)*

2.2.3 HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers which resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements. The new accounting policies are set out in Note 2.21. By using the modified retrospective approach in accordance with the transition provisions in HKFRS 15, the comparatives have not been restated by the Group.

The management has assessed the Group's performance obligations and timing of revenue recognition under HKFRS 15 and has concluded that there was no significant impact of HKFRS 15 on revenue recognition as at and since 1 April 2018, except for certain reclassification of 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 (Note 2.2.1).

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Principles of consolidation *(continued)*

(b) Changes in ownership interests *(continued)*

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Separate financial statements

Interests 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 interests 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.

2.5 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 that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's 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 all the individual 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 of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statement of comprehensive income within "Other gains/(losses) — net".

(c) Group companies

The results and financial position of all the Group's 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 statement;

- income and expenses for each statement of comprehensive income 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

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.

2.7 Prepaid operating lease

Prepaid operating lease is stated at cost less accumulated amortisation and impairment losses. 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.

2.8 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
• Leasehold improvements	5 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Property, plant and equipment *(continued)*

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

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

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.

2.9 Intangible assets

(a) 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. Amortisation is calculated using the straight-line method to allocate the cost of patent and technology over their estimated useful lives of 3 years.

(b) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 years.

2.10 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.

2.11 Investments and other financial assets

(a) Classification

From 1 April 2018, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Investments and other financial assets *(continued)*

(a) Classification *(continued)*

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 ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(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 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.

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.

Trade and notes receivable, contract assets and other receivables that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains/(losses) — net" (if any), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

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 following the derecognition of the investment. 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) — net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Investments and other financial assets *(continued)*

(d) Impairment

From 1 April 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and notes receivable, 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 losses or lifetime expected losses. If a significant increase in credit risk of a receivable occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(e) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

The Group classifies its financial assets in the following categories: at FVPL 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.

Financial assets at FVPL

The Group classifies financial assets at FVPL 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.

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.

(ii) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Investments and other financial assets *(continued)*

(e) Accounting policies applied until 31 March 2018 *(continued)*

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 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.

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 FVPL” category are presented in the consolidated statement of comprehensive income within “Other gains/(losses) — net”.

(iv) Impairment

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.

2.12 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)*

2.13 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.

2.14 Trade and notes receivable

Trade and notes receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and notes receivable 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 notes receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and notes receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.11 for further information about the Group's accounting for trade and notes receivable and for a description of the Group's impairment policies.

2.15 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.

2.16 Share capital

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

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 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's 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.

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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

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

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The monthly contributions of each of the group company and its employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

2.20 Share-based payments

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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.

2.21 Revenue recognition

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(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) 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
- 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.

The excess of cumulative revenue recognised over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised is recognised as contract liabilities.

(c) Rendering of other services

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

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Earnings per share *(continued)*

(b) Diluted earnings per share *(continued)*

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Interest Income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Research and development

Research expenditures are 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.

2.25 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.

2.26 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$ and US dollar ("**US$**"). 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 2019 HK$'000	31 March 2018 HK$'000
Denominated in HK$		
— Cash and cash equivalents	4,504	9,499
— Financial assets at FVPL	11,498	10,658
— Other receivables	366	399
— Other payables and accruals	(1,483)	(805)
	14,885	19,751
Denominated in US$		
— Cash and cash equivalents	337	337

As at 31 March 2019, if RMB had strengthened/weakened by 5% (2018: 2%) against the relevant foreign currencies with all other variables held constant, post-tax profit for the year would have been approximately HK$761,000 (2018: HK$402,000) lower/higher.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from loans to third parties (Note 10(b)) and deposits held in banks which are interest bearing.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk (continued)

The annual interest rates of the Group's deposits held in banks throughout the year ranged from 0.35% to 1.65% (2018: 0.35% to 1.57%). As at 31 March 2019, if the market interest rates had been 50 basis points (2018: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,140,000 (2018: HK$926,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

(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 2019, if the price of the listed securities has increased/decreased by 10% (2018: 10%) with all other variables being held constant, post-tax profit for the year would have increased/decreased by HK$2,413,000 (2018: HK$2,576,000).

(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, contract assets and other receivables.

As at 31 March 2019, substantially all (2018: 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 (2018: same).

As at 31 March 2019, approximately 98.1% (2018: 94.0%) of the Group's trade receivables were due from the five largest customers, which are prominent cigarette manufacturers, government or public institutions 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 ageing status, future cash flows 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(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.

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.

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	Total HK$'000
As at 31 March 2019				
Trade and notes payable	**71,380**	**–**	**–**	**71,380**
Other payables and accruals	**11,953**	**467**	**466**	**12,886**
	83,333	**467**	**466**	**84,266**
As at 31 March 2018				
Trade and notes payable	77,393	–	–	77,393
Other payables and accruals	7,488	–	–	7,488
	84,881	–	–	84,881

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 2019 (2018: same).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into Level 1 prescribed under the accounting standards. An explanation of Level 1 to 3 follows underneath the table.

	Level 1 HK$'000
Financial assets at FVPL	
At 31 March 2019	**28,593**
At 31 March 2018	30,500

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

For the year ended 31 March 2019, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

3.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's trade and notes receivable, contract assets, 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 Recognition of revenue from construction services for environmental treatment business

The Group recognises the revenue over time based on the percentage of completion, using input methods in accordance with HKFRS 15. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. The Group reviews and revises the estimates of contract revenue, budget costs and variation orders, if any for each construction contract as the contract progresses and regularly reviews the progress of the contracts.

4.2 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.

4.3 Estimated impairment of non-current assets

Non-current assets including property, plant and equipment, intangible assets and prepayments 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:

- whether an event has occurred that may indicate that the related asset values may not be recoverable;
- 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
- 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.4 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.

4.5 Estimated impairment of receivables and contract assets

The Group records impairment of receivables and contract assets with an assessment made by management on the expected credit losses of these assets. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact both the carrying value of these assets 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 2019, the Group was principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the "**Cigarette Packaging Business**") and environmental treatment business in the PRC (the "**Environmental Treatment Business**"), which are both identified as reportable segments.

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 FVPL.

Segment assets exclude financial assets at FVPL and deferred tax assets. Segment liabilities exclude current income tax liabilities and deferred tax liabilities.

Capital expenditures represent additions to property, plant and equipment, intangible assets and prepayments for non-current assets.

5 SEGMENT INFORMATION *(continued)*

(a) The segment results and other segment items of the Group for the year ended 31 March 2019 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	The Group HK$'000
Revenue	**216,530**	**45,657**	**262,187**
Segment results	**53,994**	**5,137**	**59,131**
Other gains arising from financial assets at FVPL			**860**
Operating profit			**59,991**
Finance income			**9,083**
Profit before income tax			**69,074**
Income tax expense			**(13,624)**
Profit for the year			**55,450**
Other segment item Depreciation and amortisation	**4,539**	**3,357**	**7,896**

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	The Group HK$'000
Revenue	206,812	2,272	209,084
Segment results	44,002	(2,028)	41,974
Other losses arising from financial assets at FVPL			(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	4,767	315	5,082

5 SEGMENT INFORMATION *(continued)*

(b) The segment assets and liabilities at 31 March 2019 are as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Inter-segment elimination HK$'000	The Group HK$'000
Segment assets	**439,928**	**75,281**	**(62,528)**	**452,681**
Financial assets at FVPL				**28,593**
Deferred tax assets				**3,609**
Total assets				**484,883**
Segment liabilities	**80,071**	**79,006**	**(62,528)**	**96,549**
Current income tax liabilities				**11,923**
Deferred tax liabilities				**8,999**
Total liabilities				**117,471**
Capital expenditures	**1,031**	**18,607**	**–**	**19,638**

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$'000	The Group HK$'000
Segment assets	424,862	18,871	(30,267)	413,466
Financial assets at FVPL				30,500
Deferred tax assets				4,148
Total assets				448,114
Segment liabilities	111,840	14,620	(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)*

(c) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 March 2019 HK$'000	31 March 2018* HK$'000
Contract assets relating to construction contracts	**990**	10,493
Contract liabilities relating to construction contracts	**2,904**	–

* The amounts were reclassified under HKFRS 9. Please see Note 2.2 for detailed explanation.

Significant changes in contract assets and liabilities

Contract assets have decreased as the Group has issued progress billings for the contracts obligation fulfilled in previous years and timely monitored the billing schedule to match with the services provided.

Contract liabilities represented the billing progress in excess of the construction works performed and the advance payment made by customers. The Group has received advance payment for certain project during the year ended 31 March 2019 according to contract terms.

6 REVENUE

	Year ended 31 March	
	2019 HK$'000	2018 HK$'000
Sales of cigarette packaging products	**216,530**	206,812
Revenue from construction and maintenance contracts		
— Construction services	**41,506**	–
— Maintenance services	**4,151**	2,272
	45,657	2,272
	262,187	209,084

6 REVENUE *(continued)*

Except for the 3 (2018: 2) customers below, no other customers individually accounted for more than 10% of the Group's revenue for the year:

	Year ended 31 March	
	2019	2018
Customer A	**55.9%**	64.9%
Customer B	**21.5%**	23.8%
Customer C	**10.7%**	Not applicable*

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

All of the Group's revenue is carried out by its subsidiaries from the PRC for the year ended 31 March 2019 (2018: same).

7 EXPENSES BY NATURE

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Cost of inventories sold	**121,735**	120,052
Staff costs (including directors' emoluments) *(Note 8)*	**29,136**	22,008
Raw materials consumed and subcontracting costs for construction contract	**24,057**	–
Depreciation and amortisation	**7,896**	5,082
Utilities	**4,618**	4,075
Other taxes and surcharge	**3,336**	2,265
Transportation expenses	**1,752**	1,652
Auditor's remuneration for audit services	**1,487**	1,504
Operating lease expenses	**1,617**	1,533
Office expenses	**870**	786
Travelling expenses	**655**	427
Reversal for impairment of trade and other receivables	**–**	(232)
Other expenses	**7,087**	5,152
Total cost of sales, distribution costs and administrative expenses	**204,246**	164,304

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**27,008**	19,574
Contributions to pension plans	**1,831**	1,609
Value of employee services under share option scheme *(Note 28(c))*	**297**	825
	29,136	22,008

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 2019					
Executive:					
Mr. Zheng Andy Yi Sheng *(i)*	500	104	18	–	622
Mr. Zheng Minsheng	400	104	18	9	531
Independent non-executive:					
Mr. Lau Kwok Hung	120	–	–	3	123
Mr. Ma Wenming	120	–	–	3	123
Mr. Fok Po Tin	120	–	–	3	123
	1,260	208	36	18	1,522
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

(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

During the year ended 31 March 2019, none of the directors waived or agreed to waived any emoluments (2018: same) and no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: same).

For the year ended 31 March 2019, 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 (2018: same). No consideration was provided to or receivable by third parties for making available directors' services (2018: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: 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 2019 or at any time during the year (2018: same).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 2 directors (2018: 2), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals (2018: 3) during the year are as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**1,610**	1,489
Contributions to retirement schemes	**52**	56
Value of employee services under share option scheme	**12**	44
	1,674	1,589

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

	Year ended 31 March	
	2019	2018
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 (excluding the directors and the five highest paid individuals) emoluments fell within the following bands:

	Year ended 31 March	
	2019	2018
Emolument bands		
— Nil to HK$1,000,000	**3**	4

9 OTHER GAINS/(LOSSES) — NET

	Year ended 31 March	
	2019 **HK$'000**	2018 HK$'000
Foreign exchange gains/(losses)	**1,190**	(2,806)
Dividend income from financial assets at FVPL	**526**	556
Losses on disposal of financial assets at FVPL	**(888)**	(930)
Unrealised gains/(losses) on changes in fair value of financial assets at FVPL	**1,222**	(6,147)
	2,050	(9,327)

10 FINANCE INCOME

	Year ended 31 March	
	2019 **HK$'000**	2018 HK$'000
Interest income from bank deposits	**1,000**	1,896
Interest income from other financial assets *(a)*	**4,193**	3,011
Interest income from loans to third parties *(b)*	**3,890**	–
	9,083	4,907

(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 2019, all other financial assets were redeemed (2018: same).

(b) It represented interests received from loans to third parties which were unsecured, interest bearing at a rate of 18% per annum and repayable according to the date specified in the respective loan agreements during the year ended 31 March 2019.

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 2019 (2018: 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	
	2019	2018
	HK$'000	HK$'000
Current income tax		
— PRC corporate income tax	**11,693**	7,987
Deferred income tax		
— PRC corporate income tax	**(39)**	(1,370)
— Withholding income tax for profit to be distributed from the PRC	**1,970**	2,483
	13,624	9,100

No income tax charges relating to components of other comprehensive income existed for the year ended 31 March 2019 (2018: 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	
	2019 **HK$'000**	2018 HK$'000
Profit before income tax	**69,074**	40,360
Tax calculated at applicable corporate income tax rate of the respective companies	**9,482**	8,251
Tax effect of:		
— Income not subject to tax	**–**	(1,095)
— Expenses not deductible for income tax	**2,224**	132
— Additional deduction on research and development expenses	**(807)**	(768)
— Tax losses for which no deferred income tax asset was recognised	**755**	97
— Withholding income tax for profit to be distributed from the subsidiaries in the PRC	**1,970**	2,483
	13,624	9,100

12 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 March	
	2019	2018
Profit attributable to owners of the Company (HK$'000)	**56,296**	32,215
Weighted average number of ordinary shares in issue	**688,019,000**	678,500,000
Basic earnings per share	**HK8.18 cents**	HK4.75 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.

12 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

	Year ended 31 March	
	2019	2018
Profit attributable to owners of the company (HK$'000)	**56,296**	32,215
Weighted average number of ordinary shares in issue	**688,019,000**	678,500,000
Adjustments for share options	**20,912,000**	21,839,000
Weighted average number of ordinary shares for diluted earnings per share	**708,931,000**	700,339,000
Diluted earnings per share	**HK 7.94 cents**	HK 4.60 cents

13 DIVIDENDS

	Year ended 31 March	
	2019 **HK$'000**	2018 HK$'000
Interim dividends *(a)*	**15,270**	13,570
Proposed final dividends *(b)*	**20,822**	15,606
	36,092	29,176

(a) Interim dividends

An interim dividend of HK2.20 cents per ordinary share (2018: HK4.00 cents per ordinary share before the effect of the Share Subdivision (Note 27(a)), totalling approximately HK$15,270,000 (2018: HK$13,570,000) were declared during the year ended 31 March 2019.

(b) Proposed final dividends

A final dividend of HK3.00 cents per ordinary share in respect of the year ended 31 March 2019 (2018: HK2.30 cents per ordinary share), totalling approximately HK$20,822,000, was proposed by the Board on 21 June 2019. 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 2019 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. ("**Shantou Xinda**") *(a)*	PRC 14 May 1992	HK$35,000,000	100%	Design, printing and sale of cigarette packages
Huge East Investment Limited ("**Huge East**") *(b)*	Hong Kong 30 May 2016	HK$1	100%	Investment holding
Shantou Hongdong Environmental Treatment Company ("**Shantou Hongdong**") *(b)*	PRC 21 July 2016	HK$150,000,000 *(f)*	100%	Environmental protection construction works
Huazhang Investments Company Limited	Hong Kong 12 November 2014	HK$16,412,600	51%	Investment holding
Huazhang Biological Technology (Shanghai) Co., Ltd. ("**Huazhang Shanghai**") *(c)*	PRC 17 December 2014	RMB13,000,000	51%	Biological technology research and related products trading
Heihe Huazhang Agricultural Science and Technology Development Co., Ltd. ("**Huazhang Heihe**") *(d)*	PRC 14 January 2015	RMB10,000,000 *(g)*	51%	Agricultural science and technology related service
Guangdong Foxin Environmental Management Co., Ltd. ("**GD Foxin**") *(e)*	PRC 15 July 2015	RMB10,000,000 *(h)*	51%	Environmental treatment service

14 SUBSIDIARIES *(continued)*

(a) Details of the principal subsidiaries at 31 March 2019 are set out below. *(continued)*

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

(b) Huge East and Shantou Hongdong were acquired by the Group in a business combination (Note 26).

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

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

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

(f) Registered capital of Shantou Hongdong amounting to HK$122,260,000 is yet to be paid up as at 31 March 2019.

(g) Registered capital of Huazhang Heihe amounting to RMB5,780,000 is yet to be paid up as at 31 March 2019.

(h) Registered capital of GD Foxin amounting to RMB5,267,000 is yet to be paid up as at 31 March 2019.

(b) Non-controlling interests

The non-controlling interests for the year ended 31 March 2019 is attributed by Huazhang Investments Company Limited and its three subsidiaries, namely Huazhang Shanghai, Huazhang Heihe and GD Foxin (together, the "**Huazhang Group**"), all being 51% owned subsidiaries of the Group.

Set out below are the summarised financial information for the Huazhang Group. There is no dividend paid to non-controlling interests. During the year ended 31 March 2019, the Huazhang Group is principally engaged in the Environmental Treatment Business.

Summarised statement of financial position of the Huazhang Group

	31 March 2019 HK$'000	31 March 2018 HK$'000
Non-current assets	**401**	1,561
Current assets:		
Cash and cash equivalents	**2,422**	2,599
Other current assets	**6,766**	13,100
	9,188	15,699
Liabilities	**(19,228)**	(25,738)
Total deficit	**(9,639)**	(8,478)

14 SUBSIDIARIES *(continued)*

(b) Non-controlling interests *(continued)*

Summarised statement of comprehensive income of the Huazhang Group

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Revenue	**4,151**	2,272
Loss before income tax	**(1,121)**	(2,738)
Loss after income tax	**(1,727)**	(1,948)
Other comprehensive income	**566**	(732)
Total comprehensive income	**(1,161)**	(2,680)
Total comprehensive income allocated to non-controlling interests	**(569)**	(1,313)

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK$'000	Leasehold improvements HK$'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
Year ended 31 March 2018						
Opening net book amount	17,282	–	22,357	744	–	40,383
Additions	–	–	349	20	1,007	1,376
Depreciation	(1,355)	–	(3,296)	(274)	–	(4,925)
Exchange differences	1,793	–	2,145	66	55	4,059
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
Year ended 31 March 2019						
Opening net book amount	**17,720**	**–**	**21,555**	**556**	**1,062**	**40,893**
Additions	**103**	**3,300**	**1,182**	**603**	**602**	**5,790**
Business combination	**–**	**–**	**610**	**805**	**260**	**1,675**
Transfer	**999**	**–**	**864**	**–**	**(1,863)**	**–**
Disposal	**–**	**–**	**(411)**	**–**	**–**	**(411)**
Depreciation	**(1,413)**	**(110)**	**(3,259)**	**(464)**	**–**	**(5,246)**
Exchange differences	**(1,166)**	**(15)**	**(1,399)**	**(25)**	**(61)**	**(2,666)**
Closing net book amount	**16,243**	**3,175**	**19,142**	**1,475**	**–**	**40,035**
At 31 March 2019						
Cost	**36,932**	**3,285**	**52,052**	**4,370**	**–**	**96,639**
Accumulated depreciation	**(20,689)**	**(110)**	**(32,910)**	**(2,895)**	**–**	**(56,604)**
Net book amount	**16,243**	**3,175**	**19,142**	**1,475**	**–**	**40,035**

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 March 2019, majority of the Group's property, plant and equipment was located in the PRC (2018: same).

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Cost of sales	**2,774**	2,960
Administrative expenses	**2,472**	1,965
Total	**5,246**	4,925

16 INTANGIBLE ASSETS

	Computer software	**Patent and technology**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2017 and 31 March 2018			
Net book amount	–	–	–
Year ended 31 March 2019			
Opening net book amount	**–**	**–**	**–**
Additions	**29**	**1,749**	**1,778**
Business combination	**280**	**10,971**	**11,251**
Amortisation	**(238)**	**(2,256)**	**(2,494)**
Exchange differences	**6**	**176**	**182**
Closing net book amount	**77**	**10,640**	**10,717**
At 31 March 2019			
Cost	**651**	**12,887**	**13,538**
Accumulated amortisation	**(574)**	**(2,247)**	**(2,821)**
Net book amount	**77**	**10,640**	**10,717**

Amortisation has been charged to the consolidated income statement as follows:

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Administrative expenses	**2,494**	–

17 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	
	2019	2018
	HK$'000	HK$'000
At beginning of the year		
Cost	**8,454**	7,630
Accumulated amortisation	**(2,242)**	(1,874)
Net book amount	**6,212**	5,756
For the year		
Opening net book amount	**6,212**	5,756
Amortisation charges	**(156)**	(157)
Exchange differences	**(408)**	613
Closing net book amount	**5,648**	6,212
At end of the year		
Cost	**7,897**	8,454
Accumulated amortisation	**(2,249)**	(2,242)
Net book amount	**5,648**	6,212

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Administrative expenses	**156**	157

18 DEFERRED INCOME TAX

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

	31 March 2019	31 March 2018
	HK$'000	HK$'000
Deferred income tax assets	**3,609**	4,148
Deferred income tax liabilities	**(8,999)**	(8,014)

18 DEFERRED INCOME TAX *(continued)*

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

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
At beginning of the year	**(3,866)**	(3,770)
Exchange differences	**267**	(196)
Acquisition of a subsidiaries *(Note 26)*	**(1,548)**	–
Tax charged to the consolidated statement of comprehensive income	**(1,931)**	(1,113)
Withholding income tax paid	**1,688**	1,213
At end of the year	**(5,390)**	(3,866)

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 and amortization 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 2017	422	795	1,225	–	2,442
Tax (charged)/credited to the consolidated statement of comprehensive income	(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
Tax credited/(charged) to the consolidated statement of comprehensive income	152	(49)	(192)	(179)	(268)
Exchange differences	(29)	(87)	(143)	(12)	(271)
At 31 March 2019	**554**	**1,194**	**1,861**	**–**	**3,609**

18 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 2017	6,212
Tax charged to the consolidated statement of comprehensive income	2,483
Withholding income tax paid	(1,213)
Currency translation differences	532
At 31 March 2018	8,014
Tax charged to the consolidated statement of comprehensive income	1,663
Acquisition of subsidiaries *(Note 26)*	1,548
Withholding income tax paid	(1,688)
Currency translation differences	(538)
At 31 March 2019	**8,999**

As at 31 March 2019, the Group had unrecognised deferred income tax liabilities of HK$6,295,000 (2018: 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$125,897,000 as at 31 March 2019 (2018: HK$100,981,000).

As at 31 March 2019, the Group has unrecognised deferred tax assets of approximately HK$3,153,000 (2018: HK$2,398,000) with respect to tax losses amounting to HK$12,611,000 (2018: HK$9,590,000) of certain subsidiaries in the PRC.

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 2019 HK$'000	31 March 2018 HK$'000
Expire in 2021	**4,816**	4,816
Expire in 2022	**4,386**	4,386
Expire in 2023	**388**	388
Expire in 2024	**3,021**	–
	12,611	9,590

19 PREPAYMENTS FOR NON-CURRENT ASSETS

	31 March 2019 HK$'000	31 March 2018 HK$'000
Prepayment for an intangible asset *(a)*	11,658	12,480
Prepayments for property, plant and equipment	16,321	–
	27,979	12,480
Less: provision for impairment of prepayment of an intangible asset *(a)*	(11,658)	(12,480)
	16,321	–

(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 2019 HK$'000	31 March 2018 HK$'000
At beginning of the year	12,480	11,264
Exchange differences	(822)	1,216
	11,658	12,480

20 INVENTORIES

	31 March 2019 HK$'000	31 March 2018 HK$'000
Raw materials	20,903	20,645
Finished goods	12,452	12,450
	33,355	33,095

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$121,735,000 for the year ended 31 March 2019 (2018: HK$120,052,000). No inventory write-down or reversal was included in those costs during the year (2018: nil). No inventory provision was made as at 31 March 2019 (2018: nil).

21 TRADE AND NOTES RECEIVABLE

	31 March 2019 HK$'000	31 March 2018 HK$'000
Trade receivables	**76,473**	103,277
Notes receivable	**466**	–
Less: allowance for impairment of trade receivables	**(193)**	(206)
Trade and notes receivable — net	**76,746**	103,071

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

	31 March 2019 HK$'000	31 March 2018 HK$'000
Less than 30 days	**73,463**	76,986
31 days to 60 days	**–**	19,086
61 days to 90 days	**–**	–
91 days to 180 days	**494**	6,999
Over 180 days	**2,516**	206
	76,473	103,277

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

As at 31 March 2019, trade receivables of HK$2,817,000 (2018: HK$6,999,000) were past due but not impaired. These relate to six (2018: six) 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 2019 HK$'000	31 March 2018 HK$'000
91 days to 180 days	**494**	6,999
Over 180 days	**2,323**	–
	2,817	6,999

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

	31 March 2019 HK$'000	31 March 2018 HK$'000
At beginning of the year	**206**	407
Exchange differences	**(13)**	31
Reversal for impairment	**–**	(232)
	193	206

21 TRADE AND NOTES RECEIVABLE *(continued)*

(d) The Group's trade receivables were denominated in RMB as at 31 March 2019 (2018: same).

(e) As at 31 March 2019, 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 (2018: same).

22 FINANCIAL ASSETS AT FVPL

	31 March 2019 HK$'000	31 March 2018 HK$'000
Listed securities — held for trading		
— Equity securities — denominated in HK$	**11,498**	10,658
— Equity securities — denominated in RMB	**17,095**	19,842
	28,593	30,500

23 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2019 HK$'000	31 March 2018 HK$'000
Other receivables	**1,657**	1,060
Prepayments	**343**	243
Less: allowance for impairment of other receivables	**(297)**	(318)
	1,703	985

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

	31 March 2019 HK$'000	31 March 2018 HK$'000
Denominated in RMB	**1,291**	661
Denominated in HK$	**366**	399
	1,657	1,060

(b) As at 31 March 2019, 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 (2018: nil).

23 PREPAYMENTS AND OTHER RECEIVABLES

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

	31 March 2019 HK$'000	31 March 2018 HK$'000
At beginning of the year	318	253
Exchange differences	(21)	65
	297	318

24 RESTRICTED CASH AT BANKS

	31 March 2019 HK$'000	31 March 2018 HK$'000
Denominated in RMB	42,284	52,600

As at 31 March 2019, the Group placed cash deposits of approximately HK$42,284,000 (2018: HK$52,600,000) with designated banks as collateral for the Group's notes payable.

The effective interest rate on restricted cash at banks was 1.56% (2018: 1.56%) per annum. These deposits have an average original maturity of 180 days (2018: same).

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

	31 March 2019 HK$'000	31 March 2018 HK$'000
Denominated in RMB	219,682	155,772
Denominated in HK$	4,504	9,499
Denominated in US$	337	337
	224,523	165,608

The Group's cash and bank balances of HK$219,682,000 (2018: HK$155,772,000) and restricted cash at banks of HK$42,284,000 (2018: HK$52,600,000) 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 BUSINESS COMBINATION

The Group acquired 100% equity interests in Huge East, together with its subsidiary Shantou Hongdong (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.

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

	HK$'000
Total consideration, paid by issuance 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 issuance of the Company's ordinary shares of 15,580,000 shares at the price of HK$2.00 per share to the then shareholder of the Acquiree (the "**Issuance of Consideration Shares**"), resulting in HK$78,000 credited to share capital and HK$31,082,000 credited to share premium.

(b) The fair value of acquired intangible assets, amounting to HK$11,251,000 which mainly includes patents and technologies, was valued by an independent valuer.

(c) The acquired business contributed revenues of HK$41,506,000 and net profit of HK$2,875,000 to the Group for the period from 21 August 2018 to 31 March 2019. If the acquisition had occurred on 1 April 2018, consolidated revenue and consolidated profit after tax for the year ended 31 March 2019 would have been HK$267,656,000 and HK$54,696,000 respectively.

27 SHARE CAPITAL

Authorised share capital	Number 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 31 March 2019	4,000,000,000	20,000,000

Ordinary shares, issued and fully paid	Number of issued shares	Share capital
		HK$
At 1 April 2017	339,250,000	3,393,000
Effect of the Share Subdivision *(a)*	339,250,000	–
At 31 March 2018	678,500,000	3,393,000
Issuance of Consideration Shares *(Note 26 (a))*	15,580,000	78,000
At 31 March 2019	694,080,000	3,471,000

(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 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.

28 OTHER RESERVES

	Share premium HK$'000 (Note 26)	Statutory reserves HK$'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 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
Year ended 31 March 2019							
Balance at 1 April 2018	**130,934**	**22,087**	**12,347**	**35,000**	**7,995**	**274**	**208,637**
Issuance of ordinary shares	**31,082**	**–**	**–**	**–**	**–**	**–**	**31,082**
Value of employee services under share option scheme	**–**	**–**	**–**	**–**	**297**	**–**	**297**
Currency translation differences	**–**	**–**	**(22,515)**	**–**	**–**	**–**	**(22,515)**
Balance at 31 March 2019	**162,016**	**22,087**	**(10,168)**	**35,000**	**8,292**	**274**	**217,501**

(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 represented deemed contribution by the controlling shareholder Mr. Zheng Andy Yi Sheng to a subsidiary of the Group.

28 OTHER RESERVES *(continued)*

(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 (Note 27 (a)).

Upon the Share Subdivision 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.

Particulars of share options as at 31 March 2019 and 31 March 2018 are as follows:

Vesting date	Expiry dates	Exercise price	Number of outstanding options	
			31 March 2019	31 March 2018
1 year from 15 January 2015	14 January 2020	HK$1.29	**10,935,000**	12,515,000
2 years from 15 January 2015	14 January 2020	HK$1.29	**10,935,000**	12,515,000
3 years from 15 January 2015	14 January 2020	HK$1.29	**10,935,000**	12,515,000
4 years from 15 January 2015	14 January 2020	HK$1.29	**10,935,000**	12,515,000
			43,740,000	50,060,000

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

	Year ended 31 March	
	2019	2018
At 1 April	**50,060,000**	26,490,000
Forfeited before the Share Subdivision	**–**	(700,000)
Effect of the Share Subdivision	**–**	25,790,000
Forfeited after the Share Subdivision	**(6,320,000)**	(1,520,000)
At 31 March	**43,740,000**	50,060,000

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

The fair value of options granted was HK$0.33 per option, which was determined using the Binomial Option Pricing Model by an independent valuer as at date of grant. The significant inputs into the model were share price of HK$2.55 at the grant date, exercise price shown above, expected volatility of 27.15%, expected dividend yield of 6.29%, an expected option life of five years, and an annual risk-free interest rate of 1.1% per year. No options were exercised during the year (2018: Nil).

The total expenses recognised for employee services received in respect of the Share Option Scheme for the year ended 31 March 2019 was HK$297,000 (2018: HK$825,000).

29 TRADE AND NOTES PAYABLE

	31 March 2019 HK$'000	31 March 2018 HK$'000
Trade payables *(a)*	**28,748**	24,405
Notes payable — bank acceptance notes	**42,632**	52,988
	71,380	77,393

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

	31 March 2019 HK$'000	31 March 2018 HK$'000
Within 90 days	**26,454**	18,622
90 to 180 days	**1,810**	5,783
Over 180 days	**484**	–
	28,748	24,405

(b) The Group's trade payables were interest-free and denominated in RMB at 31 March 2019 (2018: same).

(c) The fair value of trade and notes payable approximate their carrying amounts at 31 March 2019 (2018: same).

30 OTHER PAYABLES AND ACCRUALS

	31 March 2019 HK$'000	31 March 2018 HK$'000
Other tax payables	**9,379**	11,312
Accrual for staff costs and allowances	**6,561**	5,143
Other payables	**6,325**	2,345
	22,265	18,800
Less: non-current portion	**(933)**	–
	21,332	18,800

30 OTHER PAYABLES AND ACCRUALS *(continued)*

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

	31 March 2019 HK$'000	31 March 2018 HK$'000
Denominated in RMB	**20,782**	17,995
Denominated in HK$	**1,483**	805
	22,265	18,800

(b) The fair value of these balance approximate their carrying amounts at 31 March 2019 (2018: same).

31 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 March	
	2019 HK$'000	2018 HK$'000
Profit before income tax	**69,074**	40,360
Adjustments for:		
— Finance income	**(9,083)**	(4,907)
— Depreciation and amortisation	**7,896**	5,082
— Other (gains)/losses — net	**(2,050)**	9,327
— Value of employee services under share option scheme	**297**	825
Changes in working capital:		
— Trade and notes receivable	**38,784**	12,475
— Contract assets and Amounts due from customer for contract work	**15,156**	11,605
— Trade and notes payable	**(6,013)**	6,197
— Other payables and accruals	**(5,897)**	(1,089)
— Contract liabilities	**2,904**	–
— Inventories	**(260)**	(3,335)
— Prepaid expenses	**150**	(509)
— Prepayments and other receivables	**(87)**	384
Net cash generated from operating activities	**110,871**	76,415

32 COMMITMENTS

(a) Capital commitments

As at 31 March 2019 and 31 March 2018, the Group had the following capital commitments:

	31 March 2019 HK$'000	31 March 2018 HK$'000
Capital expenditure in respect of the addition of property, plant and equipment contracted for but not provided	**1,513**	290

(b) Operating lease commitments

At 31 March 2019 and 31 March 2018, the Group as a leasee had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	31 March 2019 HK$'000	31 March 2018 HK$'000
Not later than one year	**1,091**	1,488
Later than one year and not later than two years	**168**	993
Over two years	**105**	–
	1,364	2,481

33 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

33 RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management compensations

Key management compensations are set out below.

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**3,121**	3,066
Contributions to pension plans	**94**	127
Value of employee services under Share Option Scheme	**38**	143
	3,253	3,336

(c) Balances with related parties

	31 March 2019	31 March 2018
	HK$'000	HK$'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.

34 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	31 March 2019 HK$'000	31 March 2018 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	139,012	107,743
Prepaid expenses	359	509
	139,371	108,252
Current assets		
Prepayments and other receivables	201	201
Amounts due from subsidiaries	40,180	46,400
Cash and cash equivalents	514	367
	40,895	46,968
Total assets	180,266	155,220
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,471	3,393
Other reserves	156,328	135,487
Retained earnings	19,434	15,610
	179,233	154,490
LIABILITIES		
Current liabilities		
Other payables and accruals	1,033	730
Total equity and liabilities	180,266	155,220

34 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 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 *(Note 28)*	–	–	825	–	825
Currency translation differences	–	13,359	–	–	13,359
Balance at 31 March 2018	130,934	(3,442)	7,995	15,610	151,097
Year ended 31 March 2019					
Balance at 1 April 2018	**130,934**	**(3,442)**	**7,995**	**15,610**	**151,097**
Profit for the year	**–**	**–**	**–**	**35,058**	**35,058**
Issuance of ordinary shares *(Note 27)*	**31,082**	**–**	**–**	**–**	**31,082**
Dividends	**–**	**–**	**–**	**(31,234)**	**(31,234)**
Value of employee services under share option scheme *(Note 28)*	**–**	**–**	**297**	**–**	**297**
Currency translation differences	**–**	**(10,538)**	**–**	**–**	**(10,538)**
Balance at 31 March 2019	**162,016**	**(13,980)**	**8,292**	**19,434**	**175,762**

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**262,187**	209,084	260,262	252,368	298,066
Profit from operation activities	**59,991**	35,453	53,082	50,799	81,165
Finance income	**9,083**	4,907	3,053	3,559	5,283
Profit before income tax	**69,074**	40,360	56,135	54,358	86,448
Income tax expense	**(13,624)**	(9,100)	(15,107)	(12,231)	(16,112)
Profit for the year	**55,450**	31,260	41,028	42,127	70,336
Attributable to					
Owners of the Company	**56,296**	32,215	48,199	45,077	70,667
Non-controlling interests	**(846)**	(955)	(7,171)	(2,950)	(331)
	55,450	31,260	41,028	42,127	70,336
Assets, Liabilities and Non-controlling Interests					
Total assets	**484,883**	448,114	408,650	403,554	442,642
Total liabilities	**(117,471)**	(114,137)	(106,033)	(90,480)	(118,849)
Total equity	**367,412**	333,977	302,617	313,074	323,793
Non-controlling interests	**(4,724)**	(4,155)	(2,842)	4,451	7,711