

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01689)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

PERFORMANCE HIGHLIGHTS

- Revenue was approximately HK\$252.37 million for the year ended 31 March 2016, representing a decrease of 15% from approximately HK\$298.07 million for the year ended 31 March 2015
- Gross profit was approximately HK\$94.21 million for the year ended 31 March 2016, decreased by HK\$17.70 million as compared with approximately HK\$111.91 million for the year ended 31 March 2015
- Profit attributable to owners of the Company for the year ended 31 March 2016 was approximately HK\$45.08 million, representing a decrease of 36% from approximately HK\$70.67 million for the year ended 31 March 2015
- Basic earnings per share for the year ended 31 March 2016 were HK13.29 cents, decreased by HK8.34 cents from HK21.63 cents for the year ended 31 March 2015
- Proposed final dividend was HK6.00 cents per ordinary share

The board of directors (the “Board”) of Huaxi Holdings Company Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 March 2016 together with the comparative figures for the preceding year ended 31 March 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

		Year ended 31 March	
		2016	2015
	Note	HK\$'000	HK\$'000
Revenue	3	252,368	298,066
Cost of sales	4	<u>(158,160)</u>	<u>(186,154)</u>
Gross profit		94,208	111,912
Distribution costs	4	(2,604)	(2,949)
Administrative expenses	4	(32,320)	(28,148)
Other (losses)/gains — net		<u>(8,485)</u>	<u>350</u>
Operating profit		50,799	81,165
Finance income	5	<u>3,559</u>	<u>5,283</u>
Profit before income tax		54,358	86,448
Income tax expense	6	<u>(12,231)</u>	<u>(16,112)</u>
Profit for the year		<u>42,127</u>	<u>70,336</u>
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Currency translation difference		<u>(16,306)</u>	<u>11</u>
Other comprehensive income for the year		<u>(16,306)</u>	<u>11</u>
Total comprehensive income for the year		<u>25,821</u>	<u>70,347</u>
Profit/(loss) attributable to:			
Owners of the Company		45,077	70,667
Non-controlling interests		<u>(2,950)</u>	<u>(331)</u>
		<u>42,127</u>	<u>70,336</u>

	<i>Note</i>	Year ended 31 March	
		2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income attributable to:			
Owners of the Company		29,081	70,678
Non-controlling interests		(3,260)	(331)
		<u>25,821</u>	<u>70,347</u>
Earnings per share			
— Basic	7	HK13.29 cents	HK21.63 cents
— Diluted		HK13.22 cents	HK21.63 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	31 March 2016	31 March 2015
	<i>Note</i>	
	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	43,937	49,882
Prepaid operating lease	6,291	6,784
Deferred tax assets	2,063	1,083
Prepayments for non-current assets	13,361	13,142
	<u>65,652</u>	<u>70,891</u>
Current assets		
Inventories	33,248	33,075
Trade receivables	9 76,033	92,005
Amount due from customer for contract work	2,380	–
Financial assets at fair value through profit and loss	38,049	–
Prepayments and other receivables	8,373	14,005
Restricted cash at banks	39,194	52,088
Bank deposits with maturity over three months	–	42,674
Cash and cash equivalents	140,625	137,904
	<u>337,902</u>	<u>371,751</u>
Total assets	<u>403,554</u>	<u>442,642</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,393	3,393
Other reserves	191,600	202,698
Retained earnings	113,630	109,991
	<u>308,623</u>	<u>316,082</u>
Non-controlling interests	<u>4,451</u>	<u>7,711</u>
Total equity	<u>313,074</u>	<u>323,793</u>

	31 March 2016	31 March 2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	<u>6,641</u>	<u>4,388</u>
Current liabilities		
Trade and notes payable	<i>10</i> 60,946	84,183
Other payables and accruals	14,502	20,587
Amounts due to a related party	2,000	–
Current income tax liabilities	<u>6,391</u>	<u>9,691</u>
	<u>83,839</u>	<u>114,461</u>
Total liabilities	<u>90,480</u>	<u>118,849</u>
Total equity and liabilities	<u><u>403,554</u></u>	<u><u>442,642</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollar (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved by the Board of Directors (the “Board”) of the Company for issue on 24 June 2016.

2. BASIS OF PREPARATION

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

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

- (a) The following amendments to standards are mandatory for the first time for the financial year beginning on or after 1 April 2015. The Group has adopted these amendments to standards which are relevant to its operations.

Amendment from annual improvements to HKFRSs — 2010–2012 Cycle, on HKFRS 8, “Operating segments”. The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity’s assets when segment assets are reported.

Amendments from annual improvements to HKFRSs — 2010–2012 Cycle, on HKAS 16, “Property, plant and equipment” and HKAS 38, “Intangible assets”. Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity used the revaluation model.

Amendment from annual improvements to HKFRSs — 2010–2012 Cycle, on HKAS 24, “Related party disclosures”. The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity’s employer or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

Amendment from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 3, “Business combinations”. It clarifies that HKFRS 3 does not only apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

Amendment from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 13, “Fair value measurement”. It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

Amendment from annual improvements to HKFRSs — 2011–2013 Cycle, on HKAS 40, “Investment property”. It clarifies that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

- (c) The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2015 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to HKAS 1	Disclosure initiative	1 January 2016
Amendment to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendment to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

3. REVENUE AND SEGMENT INFORMATION

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

For the year ended 31 March 2015, the Group is principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the “Cigarette Packaging Business”), which contributed to more than 90% of the Group’s revenue and assets.

For the year ended 31 March 2016, the Group diversified its business into manufacturing and sales of biotechnology products (the “Biotechnology Business”) and environmental treatment business (the “Environmental Treatment Business”). The two segments are both in preliminary stage of development, which contributed to less than 10% of the Group’s key financial indicators and are therefore not separately disclosed.

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

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

Capital expenditures comprise additions to property, plant and equipment and intangible assets.

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

	Cigarette Packaging Business <i>HK\$'000</i>	All Other Segments <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	<u>249,549</u>	<u>2,819</u>	<u>252,368</u>
Segment results	<u>68,923</u>	<u>(6,514)</u>	<u>62,409</u>
Other gains or losses			<u>(11,610)</u>
Operating profit			<u><u>50,799</u></u>
Finance income			<u>3,559</u>
Profit before income tax			<u><u>54,358</u></u>
Income tax expense			<u>(12,231)</u>
Profit for the year			<u><u>42,127</u></u>
Other segment item			
Depreciation and amortisation	<u>(5,493)</u>	<u>(72)</u>	<u>(5,565)</u>

The segment results and other segment items of the Group for the year ended 31 March 2015 are as follows:

	Cigarette Packaging Business <i>HK\$'000</i>	All Other Segments <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	298,066	–	298,066
Segment results	81,840	(675)	81,165
Operating profit			<u>81,165</u>
Finance income			5,283
Profit before tax			<u>86,448</u>
Income tax expense			(16,112)
Profit for the year			<u>70,336</u>
Other segment item Depreciation and amortisation	(5,885)	(2)	(5,887)

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

	Cigarette Packaging Business <i>HK\$'000</i>	All Other Segments <i>HK\$'000</i>	Inter-segment Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment assets	361,675	23,951	(22,184)	363,442
Financial assets at fair value through profit or loss				38,049
Deferred tax assets				2,063
Total assets				<u>403,554</u>
Segment liabilities	76,210	23,422	(22,184)	77,448
Current income tax liabilities				6,391
Deferred tax liabilities				6,641
Total liabilities				<u>90,480</u>
Capital expenditures	1,267	468	–	1,735

The segment assets and liabilities at 31 March 2015 are as follows:

	Cigarette Packaging Business <i>HK\$'000</i>	All Other Segments <i>HK\$'000</i>	Inter-segment Elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment assets	<u>437,575</u>	<u>16,609</u>	<u>(12,625)</u>	<u>441,559</u>
Deferred tax assets				<u>1,083</u>
Total assets				<u><u>442,642</u></u>
Segment liabilities	<u>103,898</u>	<u>13,497</u>	<u>(12,625)</u>	<u>104,770</u>
Current income tax liabilities				9,691
Deferred tax liabilities				<u>4,388</u>
Total liabilities				<u><u>118,849</u></u>
Capital expenditures	<u>8,719</u>	<u>49</u>	<u>–</u>	<u>8,768</u>

Analysis of revenue for the year is as follow:

	Year ended 31 March	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of cigarette packaging products	249,177	297,204
Sales of biotechnology products	391	–
Sales of other products	372	862
Revenue from construction contract	<u>2,428</u>	–
	<u>252,368</u>	<u>298,066</u>

4. EXPENSES BY NATURE

	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Cost of inventories sold	140,255	173,826
Staff costs (including directors' emoluments)	27,076	18,319
Depreciation	5,402	5,721
Utilities	3,276	3,865
Business tax and other taxes	3,116	3,305
Transportation expenses	2,145	2,235
Operating lease rentals in respect of rented premises	1,861	1,328
Auditors' remuneration	1,630	1,320
Raw materials consumed and subcontracting costs for construction contract	1,031	–
Office expenses	942	952
Travelling expenses	825	776
Legal and professional fees	677	934
Entertainment expenses	456	678
Amortisation of prepaid operating lease	163	166
Reversal of impairment of inventories	(281)	(194)
Other expenses	4,510	4,020
	<u>193,084</u>	<u>217,251</u>
Total cost of sales, distribution costs and administrative expenses	<u>193,084</u>	<u>217,251</u>

5. FINANCE INCOME

	Year ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Interest income from bank deposits	1,545	3,882
Interest income from other financial assets (<i>Note (a)</i>)	2,014	1,401
	<u>3,559</u>	<u>5,283</u>

- (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 2016, all such other financial assets were redeemed.

6. INCOME TAX EXPENSE

	Year ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Current income tax		
— PRC corporate income tax	11,031	14,282
Deferred income tax		
— PRC corporate income tax	(1,053)	(397)
— Withholding income tax for profit to be distributed from the PRC	2,253	2,227
	<u>12,231</u>	<u>16,112</u>

7. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 March	
	2016	2015
Profit attributable to owners of the Company (HK\$'000)	<u>45,077</u>	<u>70,667</u>
Weighted average number of ordinary shares in issue	<u>339,250,000</u>	<u>326,728,000</u>
Basic earnings per share	<u>HK13.29 cents</u>	<u>HK21.63 cents</u>

(b) Diluted

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

	Year ended 31 March	
	2016	2015
Profit attributable to owners of the company (HK\$'000)	<u>45,077</u>	<u>70,667</u>
Weighted average number of ordinary shares in issue	<u>339,250,000</u>	<u>326,728,000</u>
Adjustments for share options	<u>1,723,000</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>340,973,000</u>	<u>326,728,000</u>
Diluted earnings per share	<u>HK13.22 cents</u>	<u>HK21.63 cents</u>

8. DIVIDENDS

	Year ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Interim dividends, paid (<i>Note (a)</i>)	13,570	13,570
Proposed final dividends (<i>Note (b)</i>)	20,355	27,140
	<u>33,925</u>	<u>40,710</u>

(a) Interim dividends, paid

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

(b) Proposed final dividends

A final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 March 2016, totalling approximately HK\$20,355,000, was proposed by the Board on 24 June 2016. 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.

9. TRADE RECEIVABLES

	31 March 2016 HK\$'000	31 March 2015 HK\$'000
Trade receivables	<u>76,033</u>	<u>92,005</u>

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

	31 March 2016 HK\$'000	31 March 2015 HK\$'000
Less than 30 days	56,061	89,913
31 days to 60 days	13,414	1,653
61 days to 90 days	4,787	–
91 days to 180 days	1,771	252
Over 180 days	–	187
	<u>76,033</u>	<u>92,005</u>

As at 31 March 2016, trade receivables of HK\$1,771,000 (2015: HK\$439,000) were past due but not impaired. These relate to three (2015: two) independent customers for whom there is no financial difficulty and the executive directors, based on past experience, consider that those amounts can be recovered.

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

	31 March 2016 <i>HK\$'000</i>	31 March 2015 <i>HK\$'000</i>
Denominated in RMB	76,033	91,044
Denominated in HK\$	–	961
	<u>76,033</u>	<u>92,005</u>

10. TRADE AND NOTES PAYABLE

	31 March 2016 <i>HK\$'000</i>	31 March 2015 <i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	21,447	31,416
Notes payable — bank acceptance notes	39,499	52,767
	<u>60,946</u>	<u>84,183</u>

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

	31 March 2016 <i>HK\$'000</i>	31 March 2015 <i>HK\$'000</i>
Within 90 days	20,720	30,001
90–180 days	727	501
Over 180 days	–	914
	<u>21,447</u>	<u>31,416</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

During the year under review, the growth of sales in cigarette was deeply affected by restrictions of smoking locations, banning tobacco advertising promotion and various political measures. Manufacturing and sales of cigarette packaging materials is still the core business of the Group. Our major customers are key cigarette manufacturers of the 30 key cigarette brands designated by the State Tobacco Monopoly Administration of the People's Republic of China (the "PRC") ("STMA") in the PRC. In the last financial year, the Group diversified its business to biotechnology. The research and development of high-resistant starch food for the diabetes was still processing and it is expected that these products will launch in the market soon. A sewage treatment project in Chaonan District of Shantou City was commended in February, 2015.

Manufacturing and Sales of Cigarette Packaging Materials

Our customers are key cigarette manufacturers in the PRC manufacturing several well-known brands. The Group's revenue from cigarette packaging business during the year under review was approximately HK\$249.55 million which represented an decrease of approximately HK\$48.52 million or 16.3% as compared with the with the last financial year. The decline in turnover was mainly resulted from a slight decrease in the national sales volume of cigarette and a devaluation of Renminbi against Hong Kong dollars which is the Group's reporting currency. On a constant currency basis, turnover of the Group dropped 13.8% as compared with the corresponding period in last financial year. The following table sets forth the breakdown of the Group's revenue from cigarette packaging business for the financial year ended 31 March 2016 ("FY2016") and 31 March 2015 ("FY2015").

	FY2016		FY2015	
	HK\$'000	%	HK\$'000	%
Inner Frame paper	127,016	50.9	136,641	45.8
Cigarette box frame paper	41,962	16.8	44,672	15.0
Tipping paper	57,709	23.1	82,251	27.6
Cigarette trademark label	7,234	2.9	12,932	4.3
Cigarette paper box	3,308	1.3	2,924	1.0
Transfer printing cardboard and transfer art paper	11,915	4.8	17,753	6.0
Sales from processing services and other	405	0.2	893	0.3
Total	<u>249,549</u>	<u>100.0</u>	<u>298,066</u>	<u>100.0</u>

Biotechnology Business and Environmental Treatment Business

In the FY2015 and FY2016, the Company diversified its business into biotechnology field — biotechnology products and environmental treatment of rivers and lakes business, respectively. In the year under review, the Company recorded a revenue of approximately HK\$0.39 million from biotechnology products and HK\$2.43 million from environmental business. Resistant starch food is still in the R&D stage and the revenue only represented the sales of premium rice. Revenue from environmental business was income recognized in the eco-rehabilitation project with Chaonan District People's Government in Shantou (汕頭市潮南區人民政府). The project focuses on specific stream sector of the broader ravine running through Xiashan Residential District (峽山大溪) in the Chaonan District (潮南區) of Shantou City (汕頭市). The contract includes a 12-month's period to achieve the waterway resuming its natural colour from the current ink-black state and finally meet Level V standard set by the Ministry of Environmental Protection of the People's Republic of China and a 3-year maintenance period.

Gross Profit and Gross Profit Margin

The gross profit of the Group in the year under review reported approximately HK\$94.21 million (2015: HK\$111.91 million), decreased by approximately HK\$17.70 million compared with last financial year. The overall gross profit margin decreased slightly by 0.2% compared with last financial year from 37.5% in FY2015 to 37.3% in FY2016. The Group performed an effective cost control in our major products to maintain its margin.

Distribution Expenses

Distribution expenses of the Group decreased by approximately HK\$0.35 million or 11.7% from approximately HK\$2.95 million in FY2015 to approximately HK\$2.60 million in FY2016 in line with decrease of sales and also saved in effective logistics in procurement of raw materials and delivery of goods.

Administrative Expenses and Other Expenses

The Group's administrative expenses in FY2016 was approximately HK\$32.32 million which increased by approximately HK\$4.17 as compared with HK\$28.15 million in FY2015. The increase of administrative expenses was due to an increase in administrative expenses to operate companies in Shanghai and Heilongjiang and the non-cash items including recognition of share-based payment in which share options granted. Increase in other expenses was mainly resulted from a provision for decrease in market value of listed securities which the Group invested.

Taxation

Taxation of the Group in FY2016 was approximately HK\$12.23 million, which was decreased by HK\$3.88 million, in line with the decrease in the profit before taxation (FY2015: HK\$16.11 million). On 9 October 2014, Shantou Xinda Colour Printing & Packing Material Company Limited, a indirectly wholly owned subsidiary of the Company was awarded High & New Technology Enterprise Certificate to grant an income tax rate at 15% for three years commencing from 1 January 2014.

FUTURE OUTLOOK AND PROSPECTS

In 2016, the tobacco industry tobacco industry is likely to face challenges due to economic trend and smoking control policy in the PRC. However, the management expects that the smoking population in the PRC will still grow steadily in the coming years and believes that this business will continue to contribute stable returns to the Group. The Company will dedicate more efforts on bolstering relations with existing customers and explore new markets to expand our market share and enhance our market position. The resistant starch rice development is slower and more delicate than originally planned. The current market in China for health foods is flooded with competitors offering wide variety of choices. The difficulty going forward is to develop products that would stand out in midst of competition. The Company is taking a more cautious stance hence, the research and development progress for resistant starch rice will remain slow going forward, and further investment prudent. The current progress of the eco-rehabilitation project in Chaonan is on track to meet contract targets, with water quality gradually approaching Level V standard. Representatives from the Chaonan District People's Government and members of local media often visit the work sites to spectate on the treatment progress and mostly satisfied with current progression. The Company shall review and evaluate the results from this project. Management will make decision on further participation of other eco-rehabilitation projects.

Looking forward, the Group will continue to enhance its operational capabilities and improve the overall standards of its operations. The Group will also continue to seek opportunities to invest in new business to broaden our income. The Board believes that it is the interest of the Group and its shareholders to diversify its business and to actively pursue new business opportunities for the growth of the Group.

FINAL DIVIDEND

The Board has recommended to declare a final dividend of HK6.00 cents per ordinary share for the year ended 31 March 2016 (the "Final Dividend") (31 March 2015: HK8.00 cents) to those whose names appear on the Register of Members of the Company on 7 September 2016. During the current year, the Board declared and paid an interim dividend of HK4.00 cents per ordinary share for the six months ended 30 September 2015. The proposed Final Dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company. If passed, the Final Dividend is expected to be paid on or around 20 September 2016.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group's total cash balances amounted to approximately HK\$179.82 million, including restricted cash of HK\$39.19 million and cash and cash equivalent of HK\$140.63 million (31 March 2015: 232.67 million).

In the FY2016, the Group's net cash generated from operating activities and investing activities amounted to approximately HK\$44.49 million and HK\$6.89 million respectively and net cash used in financing activities amounted to approximately HK\$38.71 million. The Group primarily uses cash inflow of operating activities and banking facilities to satisfy the requirement of working capital.

Fund raising activities

On 12 September 2014, the Company completed a placement and issued 28,000,000 new ordinary shares of HK\$0.01 each to more than six places at HK\$1.70 per shares pursuant to the placing agreement dated 18 August 2014. The closing market price on the date of issue was HK\$1.85 per share. The net proceeds of HK\$46.8 million were received. The sum of RMB10,000,000, equivalent to approximately HK\$12.5 million was paid to purchase a right to use a series of high resistant starch technology and development of food for the diabetes, and the sum of approximately HK\$34.3 million were used for as general working capital to strengthen the Company new business in biotechnology.

Borrowings and gearing ratio

The Group did not have any borrowing as at 31 March 2016 and 2015.

Exposure to fluctuations in exchange rate

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

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

Capital expenditure

In the FY2016, the Group's total capital expenditure amounted to approximately HK\$2.58 million (FY:2015: HK\$20.38 million), which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 31 March 2016, the Group placed cash deposits of approximately HK\$39.19 million with designated banks as collateral for Group's notes payable (31 March 2015: HK\$52.09 million).

Contingent liability

The Group has no significant contingent liabilities as at 31 March 2016 (31 March 2015: Nil).

Capital commitments

As at 31 March 2016, the Group had capital commitments for the amount of approximately HK\$2.16 million (31 March 2015: HK\$0.67 million) for acquisition of property, plant and equipment.

Acquisition and Disposal of Subsidiaries and Associated Companies

In July 2015, the Company established a non-wholly-owned indirectly subsidiary, namely Guangdong Foxin Environmental Treatment Company Limited (廣東佛欣環境治理有限公司) (“Foxin”), in Guangzhou, the PRC and injected RMB4.73 million into Foxin.

Human Resources

As at 31 March 2016, the Group employed a total of 302 (31 March 2015: 269) permanent employees in PRC and Hong Kong. Total employee remuneration (including directors’ emoluments and benefits) in FY2016 amounted to HK\$27.08 million (FY2015: HK\$18.32 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING AND FINAL DIVIDEND

The AGM is scheduled to be held on 19 August 2016. The register of members of the Company will be closed from 17 August 2016 to 19 August 2016, both days inclusive, for the purpose of identifying Shareholders who are entitled to attend the AGM, during which period no transfer of Shares will be registered. In order to qualify for attending the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on 16 August 2016.

The register of members of the Company will be closed from 6 September 2016 to 7 September 2016, both days inclusive, for the purpose of identifying Shareholders who are entitled to the final dividend, during which period no transfer of Shares will be registered. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on 5 September 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Code Provision A.2.1

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

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

Code Provision A.4.1

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2016.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

During the year, the audit committee (the “Audit Committee”) of the Board comprises three independent non-executive Directors, namely Mr. Lau Kwok Hung (chairman of the Audit Committee), Mr. Ma Wenming and Fok Po Tin. Mr. Lau has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules.

The primary functions and duties of the Audit Committee are to recommend the appointment, re-appointment and removal of the external auditor, oversee the integrity of financial information of the Company and its disclosure, provide independent review of the effectiveness of the financial controls, internal control and risk management systems of the Group, and review the accounting principles and practices adopted by the Group. The full terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, reviewed the annual results of the Group for the year ended 31 March 2016 and discussed the overall effectiveness of the internal control system of the Group with the management of the Company.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company for the year ended 31 March 2016 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (www.huaxihds.com.hk) in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would also like to take this opportunity to express my gratitude to all our staff for their dedication and hard work, plus my sincere appreciation to all customers, business partners and shareholders for their continuing supports.

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

Hong Kong, 24 June 2016

As at the date of this announcement, the Board comprises Mr. Zheng Andy Yi Sheng and Mr. Zheng Minsheng as executive directors; and Mr. Ma Wenming, Mr. Lau Kwok Hung and Mr. Fok Po Tin as independent non-executive directors.