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 2017

PERFORMANCE HIGHLIGHTS

- Total revenue of the Group increased by 3% to HK$260.26 million when compared to HK$252.37 million in FY2016.
- Revenue from the Cigarette Packaging Business decreased by 8% to HK$229.35 million when compared with HK$249.55 million in FY2016.
- Revenue from the Environmental Treatment Business and Biotechnology Business increased by 996% to HK$30.91 million when compared with HK$2.82 million in FY2016.
- Gross profit of the Group slightly increased by HK$0.28 million to HK$94.49 million when compared with HK$94.21 million in FY2016, at gross profit margin of 36% (FY15/16: 37%).
- Profit attributable to owners of the Company increased by 7% from HK$45.08 million in FY2016 to HK$48.20 million.
- Basic earnings per share were HK14.21 cents, an increase compared to HK13.29 cents in FY2016.
- A final dividend of HK6.00 cents per ordinary share for the year ended 31 March 2017 was proposed to declare.

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 2017 together with the comparative figures for the preceding year ended 31 March 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 HK$'000	2016 HK$'000
Revenue	3	**260,262**	252,368
Cost of sales	4	**(165,775)**	(158,160)
Gross profit		**94,487**	94,208
Distribution costs	4	**(2,618)**	(2,604)
Administrative expenses	4	**(39,544)**	(32,320)
Other gains/(losses) — net		**757**	(8,485)
Operating profit		**53,082**	50,799
Finance income	5	**3,053**	3,559
Profit before income tax		**56,135**	54,358
Income tax expense	6	**(15,107)**	(12,231)
Profit for the year		**41,028**	42,127
Profit/(loss) attributable to:			
Owners of the Company		**48,199**	45,077
Non-controlling interests		**(7,171)**	(2,950)
		41,028	42,127
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Currency translation difference		**(19,476)**	(16,306)
Other comprehensive income for the year		**(19,476)**	(16,306)
Total comprehensive income for the year		**21,552**	25,821
Total comprehensive income attributable to:			
Owners of the Company		**28,845**	29,081
Non-controlling interests		**(7,293)**	(3,260)
		21,552	25,821
Earnings per share attributable to owners of the Company for the year			
— Basic earnings per share	7(a)	**HK14.21 cents**	HK13.29 cents
— Diluted earnings per share	7(b)	**HK14.03 cents**	HK13.22 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	**31 March 2017** *HK$'000*	31 March 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,383**	43,937
Prepaid operating lease		**5,756**	6,291
Deferred tax assets		**2,442**	2,063
Prepayments for non-current assets		**118**	13,361
		48,699	65,652
Current assets			
Inventories		**29,760**	33,248
Trade receivables	*9*	**115,546**	76,033
Amounts due from customer for contract work	*10*	**22,098**	2,380
Financial assets at fair value through profit and loss		**28,852**	38,049
Prepayments and other receivables		**1,369**	8,373
Restricted cash at banks		**45,819**	39,194
Cash and cash equivalents		**116,507**	140,625
		359,951	337,902
Total assets		**408,650**	403,554
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,393**	3,393
Other reserves		**174,254**	191,600
Retained earnings		**127,812**	113,630
		305,459	308,623
Non-controlling interests		**(2,842)**	4,451
Total equity		**302,617**	313,074
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**6,212**	6,641
Current liabilities			
Trade and notes payable	*11*	**71,196**	60,946
Other payables and accruals		**19,889**	14,502
Amounts due to a related party		**–**	2,000
Current income tax liabilities		**8,736**	6,391
		99,821	83,839
Total liabilities		**106,033**	90,480
Total equity and liabilities		**408,650**	403,554

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 Group is principally engaged in manufacturing and sales of cigarette packing materials and environmental treatment business in the People's Republic of China (the "**PRC**") for the year ended 31 March 2017.

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("**HK$**") unless otherwise stated. These consolidated financial statements have been approved by the Board of the Company for issue on 23 June 2017.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

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

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

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

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

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

Amendment from annual improvements to HKFRS — 2012-2014 Cycle, on HKAS 34, "Interim financial reporting".

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception".

Amendments to HKAS 1 "Disclosure initiative".

HKFRS14 "Regulatory Deferral Accounts".

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

		Effective for annual periods beginning on or after
Amendments to HKAS 12, "Income taxes"	The amendments stemmed from a request to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. However, the amendments address a broader area of accounting for deferred tax assets in general. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference. As the Group does not have debt instruments measured at fair value, the amendments will not have any impact on the financial position or performance of the Group.	1 January 2017
Amendments to HKAS 7, "Statement of cash flows"	The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. Management anticipates that the application of amendments to HKAS 7 in the future may have a material impact on the consolidated statement of cash flows in the Group's combined financial statements. However, it is not practicable to provide a reasonable estimate of the effect of Amendments to HKAS 7 until the Group performs a detailed review.	1 January 2017

		Effective for annual periods beginning on or after
HKFRS15 “Revenue from Contracts with Customers”	HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations (5) Recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes to an ‘asset-liability’ approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. Management is currently assessing the impact of applying HKFRS 15 on the Group’s financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, which could affect the timing of the revenue recognition.	1 January 2018

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

Effective for annual periods beginning on or after

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses "ECL" model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortized cost a day-1 loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

Capital expenditures represent additions to property, plant and equipment.

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

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

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

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

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

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

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

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

Revenue

Revenue represents revenue arising on sales of cigarette packaging products, services fee from environmental treatment contract and sales of biotechnology products.

Analysis of revenue is as follows:

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

4. EXPENSES BY NATURE

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

5. FINANCE INCOME

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

6. INCOME TAX EXPENSE

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

7. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

8. DIVIDENDS

During the year, the Company recognizsed the following dividends as distribution:

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

(a) Interim dividends, paid

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

(b) Proposed final dividends

A final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 March 2017 (2016: HK6.00 cents), totalling approximately HK$20,355,000, were proposed by the Board on 23 June 2017. Such final dividends are subject to approval by the shareholders at the upcoming annual general meeting. The accompanying financial statements have not reflected the declaration of such dividends.

9. TRADE RECEIVABLES

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

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

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

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

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

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

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

10. CONSTRUCTION CONTRACT

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

11. TRADE AND NOTES PAYABLE

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

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

Manufacturing and Sales of Cigarette packaging materials

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

	FY2017		FY2016	
	HK$'000	*%*	*HK$'000*	*%*
Inner Frame paper	**123,671**	**53.9**	127,016	50.9
Cigarette box frame paper	**34,782**	**15.2**	41,962	16.8
Tipping paper	**58,175**	**25.3**	57,709	23.1
Cigarette trademark label	**8,439**	**3.7**	7,234	2.9
Cigarette paper box	**1,646**	**0.7**	3,308	1.3
Transfer printing cardboard and transfer art paper	**2,490**	**1.1**	11,915	4.8
Others	**149**	**0.1**	405	0.2
Total	**229,352**	**100.0**	249,549	100.0

Environmental Treatment Business and Biotechnology Business

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

Gross Profit and Gross Profit Margin

The overall gross profit of the Group in the period under review was approximately HK$94.49 million (2016: HK$94.21 million), increased slightly by approximately HK$0.28 million compared with last financial year. The overall gross profit margin was 36.3% which was decreased by 1.0 percentage points compared with last financial year from 37.3%. Gross profit margin for cigarette packaging materials increased from 37.7% in FY2016 to 39.9% in FY2017. Decrease in gross profit margin of the Group was due to low gross profit margin (at 12.6%) from environmental treatment business and gross loss (at 51.1%) from sales of biotechnology products.

Distribution expenses

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

Administrative Expenses

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

Taxation

Taxation of the Group increased by HK$2.88 million, from approximately HK$12.23 million in the FY2016 to HK$15.11 million in the FY2017. Increase in tax expenses was due to increase in the profit and the tax losses for which no deferred income tax assets was recognised and the withholding income tax for profit to be distributed from the subsidiaries in the PRC in the year.

Profit attribution to Owners of the Company

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

FINAL DIVIDEND

The Board has recommended to declare a final dividend of HK6.00 cents per ordinary share for the year ended 31 March 2017 (the "**Final Dividend**") (31 March 2016: HK6.00 cents) whose names appear on the Register of Members of the Company on 19 September 2017. During the current year, the Board declared and paid an interim dividend of HK4.00 cents per share for the six months ended 30 September 2016. The proposed Final Dividend 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 28 September 2017.

FUTURE OUTLOOK AND PROSPECTS

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

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

Capital structure, liquidity and financial resources

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

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

Borrowings and gearing ratio

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

Exposure to fluctuations in exchange rate

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

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

Charge on assets

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

Contingent liability

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

Capital commitments

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

Human Resources

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

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

The AGM is scheduled to be held on 22 August 2017. The register of members of the Company will be closed from 17 August 2017 to 22 August 2017, 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 2017.

The proposed final dividend is subject to the approval of the Shareholders at the AGM. The record date for entitlement to the proposed final dividend is 19 September 2017. In order to ascertain the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 18 September 2017 to Tuesday, 19 September 2017 (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 Wednesday, 13 September 2017. 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 Units 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 Friday, 15 September 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company 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 Company'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 2017 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.6.7

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

Code Provision C.1.2

Pursuant to Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13. During the 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.

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 2017.

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 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

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 of the Company has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2017 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 2017 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, 23 June 2017

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