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 2018

PERFORMANCE HIGHLIGHTS

- Revenue was HK$209.08 million, recording a decrease of 20% as compared with the year ended 31 March 2017;
- Revenue from manufacturing and sales of cigarette packaging materials was HK$206.81 million, recording a decrease of 10% as compared with the year ended 31 March 2017;
- Revenue from environmental treatment and other business was HK$2.27 million, recording a decrease of 93% as compared with the year ended 31 March 2017;
- Gross profit of the Group was HK$75.33 million, recording a decrease of 20% as compared with the year ended 31 March 2017;
- Profit attributable to shareholders of the Company was HK$32.22 million, recording a decrease of 33% as compared with the year ended 31 March 2017;
- Basic earnings per share of the Company was HK4.75 cents (2017: HK7.10 cents as adjusted retrospectively for the Share Subdivision (as defined in Note 11(a))); and
- The Board has resolved to declare a final dividend of HK2.3 cents per ordinary share (2017: HK6.0 cents per share before the effect of Subdivision).

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 2018 together with the comparative figures for the preceding year ended 31 March 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

		Year ended 31 March	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**209,084**	260,262
Cost of sales	*4*	**(133,754)**	(165,775)
Gross profit		**75,330**	94,487
Distribution costs	*4*	**(2,224)**	(2,618)
Administrative expenses	*4*	**(28,326)**	(39,544)
Other (losses)/gains — net		**(9,327)**	757
Operating profit		**35,453**	53,082
Finance income	*5*	**4,907**	3,053
Profit before income tax		**40,360**	56,135
Income tax expense	*6*	**(9,100)**	(15,107)
Profit for the year		**31,260**	41,028
Profit/(Loss) attributable to:			
Owners of the Company		**32,215**	48,199
Non-controlling interests		**(955)**	(7,171)
		31,260	41,028
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Currency translation difference		**33,200**	(19,476)
Other comprehensive income for the year, net of tax		**33,200**	(19,476)
Total comprehensive income for the year		**64,460**	21,552
Total comprehensive income attributable to:			
Owners of the Company		**65,773**	28,845
Non-controlling interests		**(1,313)**	(7,293)
		64,460	21,552
Earnings per share attributable to owners of the Company for the year (expressed in HK cent per share)			Restated
— Basic	*7*	**HK4.75 cents**	HK7.10 cents
— Diluted	*7*	**HK4.60 cents**	HK7.01 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	31 March 2018 HK$'000	31 March 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**40,893**	40,383
Prepaid operating lease		**6,212**	5,756
Deferred tax assets		**4,148**	2,442
Prepaid expenses		**509**	–
Prepayments for non-current assets		**–**	118
		51,762	48,699
Current assets			
Inventories		**33,095**	29,760
Trade receivables	*9*	**103,071**	115,546
Amounts due from customer for contract work	*10*	**10,493**	22,098
Financial assets at fair value through profit or loss		**30,500**	28,852
Prepayments and other receivables		**985**	1,369
Restricted cash at banks		**52,600**	45,819
Cash and cash equivalents		**165,608**	116,507
		396,352	359,951
Total assets		**448,114**	408,650
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**3,393**	3,393
Other reserves		**208,637**	174,254
Retained earnings		**126,102**	127,812
		338,132	305,459
Non-controlling interests		**(4,155)**	(2,842)
Total equity		**333,977**	302,617
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**8,014**	6,212
Current liabilities			
Trade and notes payable	*12*	**77,393**	71,196
Other payables and accruals		**18,800**	19,889
Current income tax liabilities		**9,930**	8,736
		106,123	99,821
Total liabilities		**114,137**	106,033
Total equity and liabilities		**448,114**	408,650

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("**HK$**") unless otherwise stated. These consolidated financial statements have been approved by the Board for issue on 26 June 2018.

2. BASIS OF PREPARATION

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

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

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

(c) New and amended standards adopted by the Group

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

- Amendments to HKFRS 7 "Statement of cash flows: additional disclosure to evaluate changes in liabilities arising from financing activities"
- Amendment to HKFRS 12 "Disclosure of interest in other entities: clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information"
- Amendments to HKAS 12 "Income taxes: clarify how to account for deferred tax assets related to debt instruments measured at fair value"

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

(d) New standards and interpretations not yet adopted

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

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

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

(i) HKFRS 9 Financial Instruments

HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39.

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

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

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS 39.

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

(ii) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations;

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements and does not expect there will be significant change to the Group's existing revenue recognition policy.

(iii) HKFRS 16 Leases

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group only had non-cancellable operating lease commitments of HK$2,481,000. Management does not consider the adoption of this standard will have material impact on the financial position of the Group.

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 segments, has been identified as the executive directors of the Company.

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

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

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

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

Capital expenditures represent additions to property, plant and equipment.

The segment results and other segment items of the Group for the year ended 31 March 2018 are as follows:

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

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

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

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

	Cigarette Packaging Business *HK$'000*	**Environmental Treatment Business** *HK$'000*	**Others** *HK$'000*	**Inter-segment elimination** *HK$'000*	**The Group** *HK$'000*
Segment assets	**422,128**	**18,871**	**2,734**	**(30,267)**	**413,466**
Financial assets at fair value through profit or loss					**30,500**
Deferred tax assets					**4,148**
Total assets					**448,114**
Segment liabilities	**95,731**	**14,620**	**16,109**	**(30,267)**	**96,193**
Current income tax liabilities					**9,930**
Deferred tax liabilities					**8,014**
Total liabilities					**114,137**
Capital expenditures	**936**	**322**	**–**	**–**	**1,258**

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

Revenue

Analysis of revenue is as follows:

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

4. EXPENSES BY NATURE

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

5. FINANCE INCOME

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

Other financial assets comprised certain non-derivative wealth management products with fixed or determinable payment terms of less than 14 days from a financial institution. As at 31 March 2018, all such other financial assets were redeemed (2017: same).

6. INCOME TAX EXPENSE

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

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

7. EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 March 2018 has been retroactively adjusted for the Share Subdivision (as defined in Note 11(a)).

(a) Basic

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

	Year ended 31 March **2018**	2017
Profit attributable to owners of the Company *(HK$'000)*	**32,215**	48,199
Weighted average number of ordinary shares in issue *(Note)*	**678,500,000**	678,500,000
Basic earnings per share	**HK4.75 cents**	HK7.10 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.

	2018	2017
Profit attributable to owners of the company *(HK$'000)*	**32,215**	48,199
Weighted average number of ordinary shares in issue *(Note)*	**678,500,000**	678,500,000
Adjustments for share options *(Note)*	**21,839,000**	8,611,000
Weighted average number of ordinary shares for diluted earnings per share	**700,339,000**	687,111,000
Diluted earnings per share	**HK4.60 cents**	HK7.01 cents

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

8. DIVIDENDS

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

(a) Interim dividends, paid

An interim dividend of HK4.00 cents (2017: HK4.00 cents) per ordinary share, totalling approximately HK$13,570,000 (2017: HK$13,570,000) were declared and paid during the year ended 31 March 2018.

(b) Proposed final dividends

A final dividend of HK2.30 cents per ordinary share in respect of the year ended 31 March 2018 (2017: HK6.00 cents per ordinary share before the effect of the Share Subdivision), totalling approximately HK$15,605,500 was proposed by the Board on 26 June 2018. Such final dividends are subject to approval by the shareholders at the upcoming annual general meeting. The accompanying financial statements have not reflected the declaration of such dividends.

9. TRADE RECEIVABLES

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

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

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

(b) Past due but not impaired

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

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

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

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

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

(e) As at 31 March 2018, the Group's maximum exposure to credit risk was the carrying value of each class of trade receivables mentioned above. The Group does not hold any collateral as security (2017: same).

10. CONSTRUCTION CONTRACT

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

11. SHARE CAPITAL

Authorised share capital	**Number of ordinary shares**	*HK$*
At 1 April 2016 and 31 March 2017	2,000,000,000	20,000,000
Effect of the Share Subdivision	2,000,000,000	–
At 31 March 2018 (a)	4,000,000,000	20,000,000

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

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

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

12. TRADE AND NOTES PAYABLE

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

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

Manufacturing and sales of cigarette packaging materials

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

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

Environmental treatment business

During the period under review, no new water treatment project was commenced. The contract with Chaonan District People's Government in Shantou to improve the water quality and environment in the basin from Dong Tang to Tao Chen Sha Xi (with a length of approximately 3.5 kilometers) of the Xia Shan Da Xi (a branch of Lianjiang River) entered into the maintenance stage and recorded a revenue of approximately HK$2.27 million (FY2017: recorded a revenue of HK$29.31 million from the construction stage).

Gross Profit and Gross Profit Margin

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

Distribution expenses

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

Administrative Expenses

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

Taxation

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

Profit attributable to owners of the Company

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

Dividends

The Board has recommended to declare a final dividend of HK2.3 cents per ordinary share for the year ended 31 March 2018 (the "**Final Dividend**") (2017: HK6.00 cents per ordinary share before the effect of the Share Subdivision) whose names appear on the Register of Members of the Company on 18 September 2018. During the current year, the Board declared and paid an interim dividend of HK4.00 cents per share for the six months ended 30 September 2017. The Final Dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**AGM**") of the Company and will be paid on or around 11 October 2018.

Financial assets at fair value through profit or loss

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

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

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

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

Capital structure, liquidity and financial resources

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

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

Borrowings and gearing ratio

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

Exposure to fluctuation in exchange rate

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

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

Capital expenditure

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

Charge on assets

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

Contingent liabilities

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

Capital commitments

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

HUMAN RESOURCES

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

FUTURE OUTLOOK AND PROSPECTS

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

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

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

The AGM is scheduled to be held on 31 August 2018. The register of members of the Company will be closed from 28 August 2018 to 31 August 2018, 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 27 August 2018.

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 18 September 2018. In order to ascertain the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 14 September 2018 to Tuesday, 18 September 2018 (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 11 September 2018. 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, 13 September 2018.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the financial year, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

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 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 2018 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. During the year, an independent non-executive director was unable to attend the general meetings of the Company as he was out of town for other engagement.

Code Provision C.1.2

Pursuant to Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13. During the period under review, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company. 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 2018.

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 2018.

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 Mr. 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 2018 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 2018 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, 26 June 2018

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.