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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 NINE MONTHS ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the nine months ended 31 December 2019 *HK$'000*	For the year ended 31 March 2019 *HK$'000*	*Change*
Revenue	**313,466**	262,187	20%
Gross Profit	**126,358**	92,166	37%
Operating Profit	**93,191**	59.991	55%
Profit attributable to owners of the Company	**81,442**	56,296	45%
Basic earnings per share	**HK11.73 cents**	HK8.18 cents	43%
Dividends — Final	**HK4.00 cents**	HK3.00 cents	33%

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 nine months ended 31 December 2019 together with the comparative figures for the year ended 31 March 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2019

	Note	**Nine months ended 31 December 2019** *HK$'000*	Year Ended 31 March 2019 *HK$'000*
Revenue	*3*	**313,466**	262,187
Cost of sales	*4*	**(187,108)**	(170,021)
Gross profit		**126,358**	92,166
Distribution costs	*4*	**(1,761)**	(2,376)
Administrative expenses	*4*	**(37,077)**	(31,849)
Other gains — net		**5,671**	2,050
Operating profit		**93,191**	59,991
Finance income — net	*5*	**7,068**	9,083
Profit before income tax		**100,259**	69,074
Income tax expense	*6*	**(18,777)**	(13,624)
Profit for the period/year		**81,482**	55,450
Profit/(Loss) attributable to:			
Owners of the Company		**81,442**	56,296
Non-controlling interests		**40**	(846)
		81,482	55,450
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Currency translation difference		**(17,204)**	(22,238)
Other comprehensive income for the period/year, net of tax		**(17,204)**	(22,238)
Total comprehensive income for the period/year		**64,278**	33,212
Total comprehensive income attributable to:			
Owners of the Company		**64,040**	33,781
Non-controlling interests		**238**	(569)
		64,278	33,212
Earnings per share attributable to owners of the Company for the period/year (expressed in HK cent per share)	*7*		
— Basic earnings per share		**HK11.73 cents**	HK8.18 cents
— Diluted earnings per share		**HK11.46 cents**	HK7.94 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**31 December 2019** **HK$'000**	31 March 2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**36,181**	40,035
Right-of-use assets		**10,129**	–
Prepaid operating lease		**–**	5,648
Intangible assets		**10,473**	10,717
Deferred tax assets		**2,727**	3,609
Prepaid expenses		**260**	359
Prepayments for non-current assets		**19,647**	16,321
		79,417	76,689
Current assets			
Inventories		**27,327**	33,355
Trade and notes receivable	*9*	**156,076**	76,746
Contract assets		**10,115**	990
Financial assets at fair value through profit or loss		**24,746**	28,593
Prepayments and other receivables		**31,470**	1,703
Restricted cash at banks		**40,762**	42,284
Cash and cash equivalents		**159,942**	224,523
		450,438	408,194
Total assets		**529,855**	484,883

	Note	31 December 2019 HK$'000	31 March 2019 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,471**	3,471
Other reserves		**204,060**	217,501
Retained earnings		**180,060**	151,164
		387,591	372,136
Non-controlling interests		**(4,486)**	(4,724)
Total equity		**383,105**	367,412
LIABILITIES			
Non-current liabilities			
Lease liabilities		**3,004**	–
Deferred tax liabilities		**8,309**	8,999
Other payables		**893**	933
		12,206	9,932
Current liabilities			
Trade and notes payable	*10*	**92,070**	71,380
Contract liabilities		**–**	2,904
Lease liabilities		**1,776**	–
Other payables and accruals		**23,896**	21,332
Current income tax liabilities		**16,802**	11,923
		134,544	107,539
Total liabilities		**146,750**	117,471
Total equity and liabilities		**529,855**	484,883

NOTES:

1. GENERAL INFORMATION

Huaxi Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, P.O. Box 1350, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in (i) manufacturing and sales of cigarette packaging materials; and (ii) environmental treatment business in the People's Republic of China (the "**PRC**") for the nine months ended 31 December 2019.

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("**HK$**") unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors (the "**Board**") of the Company on 27 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the period/year presented, unless otherwise stated.

2.1 Basis of preparation

(a) Financial period

The Group's operations are carried out through its operating subsidiaries in the PRC, which are required to prepare their statutory accounts with the financial year ended date of 31 December. In order to effectively and efficiently facilitate the preparation of the consolidated financial statements, the Board determined to change the Company's financial year end date from 31 March to 31 December commencing from the financial period beginning on 1 April 2019.

Due to the change of the end of the financial period, this set of consolidated financial statements is for a period of nine months from 1 April 2019 to 31 December 2019. The comparative figures, however, are for twelve months from 1 April 2018 to 31 March 2019, and hence are not comparable.

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

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

(c) Historical cost convention

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

(d) New and amended standards adopted by the Group for the nine months ended 31 December 2019

The Group has applied the following standards and amendments for the first time for its reporting period commencing 1 April 2019:

- HKFRS 16 "Leases"
- Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"
- Interpretation 23 "Uncertainty over Income Tax Treatments"

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to apply the simplified transition approach and has not restated comparatives for the 2018 reporting period. This is disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(e) New standards and interpretations not yet adopted

The following standards and interpretations have been issued but are not effective for the financial period beginning on 1 April 2019 and have not been early adopted by the Group:

		Effective for reporting periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

These standards are not expected to have material impact on the Group in the current or future reporting periods.

2.2 Change in accounting policies

This note explains the impact of the adoption of of HKFRS 16 "Leases" on the Group's consolidated financial statements.

As explained in Note 2.1 above, the Group has adopted HKFRS 16 "Leases" from 1 April 2019, applied the simplified transition approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provision in the standard. Right-of-use assets were measured at the amount of the lease liabilities on adoption. There was no impact to the opening retain earnings. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

2.2.1 Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 "Leases" and Interpretation 4 "Determining whether an Arrangement contains a Lease".

2.2.2 Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	**1,364**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**1,294**
Less: short-term leases and low-value leases not recognised as liabilities	**(992)**
Lease liabilities recognised as at 1 April 2019	**302**
Of which are:	
Current lease liabilities	**158**
Non-current lease liabilities	**144**
	302

2.2.3 Measurement of right-of-use assets

Under the simplified transition approach, the associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments, relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019, if any. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2.2.4 Adjustments recognised in the statement of financial position on 1 April 2019

	31 March 2019		**1 April 2019**
Consolidated statement of financial position (extract)	**As originally presented**	**Impact of adoption of HKFRS 16**	**Restated**
	HK$'000	***HK$'000***	***HK$'000***
Right-of-use assets	–	5,950	5,950
Lease liabilities	–	302	302
Prepaid operating lease	5,648	(5,648)	–

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 nine months ended 31 December 2019, the Group was principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the "**Cigarette Packaging Business**") and environmental treatment business in the PRC (the "**Environmental Treatment Business**"), which are both identified as reportable segments.

The CODM assesses the performance of the operating segments based on a measure of operating profit excluding other gains arising from financial assets at FVPL.

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

Capital expenditures represent payments for the acquisition of property, plant and equipment, intangible assets, prepayments for non-current assets and right-of-use assets.

The segment results and other segment items of the Group for the nine months ended 31 December 2019 are as follows:

	Cigarette Packaging Business *HK$'000*	**Environmental Treatment Business** *HK$'000*	**The Group** *HK$'000*
Revenue	**163,329**	**150,137**	**313,466**
Segment results	**44,449**	**43,678**	**88,127**
Other gains arising from financial assets at FVPL			**5,064**
Operating profit			**93,191**
Finance income			**7,068**
Profit before income tax			**100,259**
Income tax expense			**(18,777)**
Profit for the period			**81,482**
Other segment item			
Depreciation and amortisation	**3,431**	**7,091**	**10,522**

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

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

The segment assets and liabilities at 31 December 2019 are as follows:

	Cigarette Packaging Business *HK$'000*	**Environmental Treatment Business** *HK$'000*	**Inter-segment elimination** *HK$'000*	**The Group** *HK$'000*
Segment assets	**429,516**	**200,772**	**(127,906)**	**502,382**
Financial assets at FVPL				**24,746**
Deferred tax assets				**2,727**
Total assets				**529,855**
Segment liabilities	**84,443**	**165,102**	**(127,906)**	**121,639**
Current income tax liabilities				**16,802**
Deferred tax liabilities				**8,309**
Total liabilities				**146,750**
Capital expenditures	**2,702**	**8,971**	**–**	**11,673**

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

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

Revenue

Analysis of revenue is as follows:

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Sales of cigarette packaging products	**163,329**	216,530
Revenue from construction and maintenance contracts		
— Construction services	**147,133**	41,506
— Maintenance services	**3,004**	4,151
	150,137	45,657
	313,466	262,187

4. EXPENSES BY NATURE

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Cost of inventories sold	**83,283**	**121,735**
Raw materials consumed and subcontracting costs for construction contracts	**86,067**	**24,057**
Staff costs (including directors' emoluments)	**27,823**	**29,136**
Depreciation and amortisation		
— Depreciation of property, plant and equipment	**4,641**	**5,246**
— Depreciation of right-of-use assets	**755**	**156**
— Amortisation of intangible assets	**5,126**	**2,494**
Utilities	**3,612**	**4,618**
Other taxes and surcharge	**1,798**	**3,336**
Auditor's remuneration		
— Audit services	**1,582**	**1,487**
— Non-audit services	**203**	**187**
Transportation expenses	**1,280**	**1,752**
Expense relating to operating leases not recognised as liabilities	**992**	**1,617**
Travelling expenses	**714**	**655**
Office expenses	**569**	**870**
Other expenses	**7,501**	**6,900**
Total cost of sales, distribution costs and administrative expenses	**225,946**	**204,246**

5. FINANCE INCOME — NET

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Interest income from bank deposits	**699**	1,000
Interest income from other financial assets *(a)*	**2,858**	4,193
Interest income from loans to third parties *(b)*	**3,641**	3,890
	7,198	9,083
Finance costs		
— Interest expenses on lease liabilities	**(130)**	–
	7,068	9,083

(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 December 2019, all other financial assets were redeemed (31 March 2019: same).

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

6. INCOME TAX EXPENSE

	Nine months ended 31 December 2019 *HK$'000*	Year ended 31 March 2019 *HK$'000*
Current income tax		
— PRC corporate income tax	**14,772**	11,693
Deferred income tax		
— PRC corporate income tax	**619**	(39)
— Withholding income tax for profit to be distributed from subsidiaries in the PRC	**3,386**	1,970
	18,777	13,624

There were no income tax charges relating to components of other comprehensive income for the nine months ended 31 December 2019 (year ended 31 March 2019: same).

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 period/year.

	Nine months ended 31 December 2019	Year ended 31 March 2019
Profit attributable to owners of the Company *(HK$'000)*	**81,442**	56,296
Weighted average number of ordinary shares in issue	**694,080,000**	688,019,000
Basic earnings per share	**HK11.73 cents**	HK8.18 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 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 options.

	Nine months ended 31 December 2019 ***HK$'000***	Year ended 31 March 2019 *HK$'000*
Profit attributable to owners of the Company *(HK$'000)*	**81,442**	56,296
Weighted average number of ordinary shares in issue	**694,080,000**	688,019,000
Adjustments for share options	**16,833,000**	20,912,000
Weighted average number of ordinary shares for diluted earnings per share	**710,913,000**	708,931,000
Diluted earnings per share	**HK11.46 cents**	HK7.94 cents

8. DIVIDENDS

	Nine months ended 31 December 2019 ***HK$'000***	Year ended 31 March 2019 *HK$'000*
Interim dividends *(a)*	**27,763**	15,270
Proposed final dividends *(b)*	**27,763**	20,822
	55,526	36,092

(a) Interim dividends

An interim dividend of HK3.00 cents per share and a special dividend of HK1.00 cent per share, amounting to a total of HK4.00 cents per ordinary share (year ended 31 March 2019: HK2.20 cents per ordinary share), totalling approximately HK$27,763,000 (year ended 31 March 2019: HK$15,270,000) was declared during the nine months ended 31 December 2019.

(b) Proposed final dividends

A final dividend of HK4.00 cents per ordinary share in respect of the nine months ended 31 December 2019 (year ended 31 March 2019: HK3.00 cents per ordinary share), totalling approximately HK$27,763,000 was proposed by the Board on 27 March 2020. 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 AND NOTES RECEIVABLE

	31 December 2019 ***HK$'000***	31 March 2019 *HK$'000*
Trade receivables	**156,260**	76,473
Notes receivable	**–**	466
Less: allowance for impairment of trade receivables	**(184)**	(193)
Trade and notes receivable — net	**156,076**	76,746

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

	31 December 2019 ***HK$'000***	31 March 2019 *HK$'000*
Less than 30 days	**147,955**	73,463
31 days to 60 days	**3,267**	–
61 days to 90 days	**591**	–
91 days to 180 days	**1,019**	494
Over 180 days	**3,428**	2,516
	156,260	76,473

(b) Past due but not impaired

As at 31 December 2019, trade receivables of HK$4,263,000 (31 March 2019: HK$2,817,000) were past due but not impaired. These relate to two (31 March 2019: six) independent customers with 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 December 2019 *HK$'000*	31 March 2019 *HK$'000*
91 days to 180 days	**1,019**	494
Over 180 days	**3,244**	2,323
	4,263	2,817

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

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
At beginning of the period/year	**193**	206
Currency translation differences	**(9)**	(13)
	184	193

(d) The Group's trade receivables is denominated in the following currencies:

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
— Denominated in RMB	**156,160**	76,473
— Denominated in HK$	**100**	—
	156,260	76,473

(e) As at 31 December 2019, the Group's maximum exposure to credit risk was the carrying value of each class of trade receivables mentioned above. The Group does not hold any collateral as security (31 March 2019: same).

10. TRADE AND NOTES PAYABLE

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
Trade payables *(a)*	**50,993**	28,748
Notes payable — bank acceptance notes	**41,077**	42,632
	92,070	71,380

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

	31 December 2019 *HK$'000*	31 March 2019 *HK$'000*
Within 90 days	**48,066**	26,454
90 to 180 days	**1,440**	1,810
Over 180 days	**1,487**	484
	50,993	28,748

(b) The Group's trade payables were denominated in RMB at 31 December 2019 (31 March 2019: same).

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

11. SUBSEQUENT EVENTS

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. Temporary shortage of transportation for cigarette packaging materials and slight delay in progress of environmental treatment construction projects as a result of postponement of work resumption has been noticed. Pending development of such subsequent non-adjusting event, the Group's financial statements may be affected, the extent of which could not be estimated as that date of this report. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

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

For the nine months ended 31 December 2019 (the "**Reporting Period**"), the total revenue of the Group was approximately HK$313.47 million, representing an increase of approximately HK$51.28 million or 20% as compared with HK$262.19 million for the year ended 31 March 2019 (the "**FY2018/19**"). Revenue from the Cigarette Packaging Business was approximately HK$163.33 million (FY2018/19: HK$216.53 million) and the Environmental Treatment Business was approximately HK$150.14 million (FY2018/19: HK$45.66 million) contributing approximately 52% (FY2018/19: 83%) and 48% (FY2018/19: 17%) respectively to the Group's revenue.

Cigarette Packaging Business

In spite of the cigarette control policies and regulations to restrict indoor smoking and reduce the number of young smokers, the cigarette production in China increased slightly in 2019. According to the National Bureau of Statistics, from January to October 2019, cigarette production in the PRC recorded 2,034.09 billion sticks. An increase of 2.8% compared with the corresponding period in 2018. During the Reporting Period, the revenue from the Cigarette Packaging Business was approximately HK$163.33 million, representing a decrease of HK$53.20 million or 25% as compared with approximately HK$216.53 million in FY2018/19. The decrease in sales was due to the change of financial year end. As compared with the period from April to December in 2018, the revenue from the Cigarette Packaging Business was recorded an increase of approximately 4%. The following tables sets forth the breakdown of the Group's revenue from sales of cigarette packaging materials in the Reporting Period and FY2018/19:

	Nine months ended 31 December 2019		Year ended 31 March 2019	
	HK$'000	***%***	*HK$'000*	*%*
Inner frame paper	**89,414**	**54.8**	117,734	54.4
Tipping paper	**51,749**	**31.7**	56,537	26.1
Cigarette box frame paper	**17,274**	**10.6**	30,721	14.2
Cigarette trademark label	**3,015**	**1.8**	10,093	4.7
Cigarette paper box	**1,840**	**1.1**	805	0.4
Others	**37**	**0.0**	640	0.2
Total	**163,329**	**100.0**	216,530	100.0

Environmental Treatment Business

During the Reporting Period, the total revenue from the Environmental Treatment Business was approximately HK$150.14 million, representing an increase of approximately HK$104.48 million or 229% as compared with approximately HK$45.66 million in FY2018/19. The Group won the bid for the exploration, design and construction projects in respect of the ecological restoration for the water environment at Daniulei and Zhonggang floodgate section of the central drainage system in Shiwan Town, Boluo County. In December 2019, the main construction of these projects entered into the final stage and the water quality were improved significantly. The black and odorous water were basically eliminated. The ecological restoration for the water environment at Liboshui floodgate section of the central drainage system of Shiwan Town became a demonstration site for water environment treatment in Huizhou. In addition, the Company is also actively conducting preliminary surveys and research in Dongguan and Huizhou and providing technical advisory services to these regions. The ecological restoration project, Sigou project in Shantou City has been completed in 2019 and commenced a three-year maintenance phase.

Gross Profit and Gross Profit Margin

During the Reporting Period, the overall gross profit of the Group was approximately HK$126.36 million (FY2018/19: HK$92.17 million) which comprised approximately HK$66.89 million (FY2018/19: HK$78.08 million) from the Cigarette Packaging Business and HK$59.47 million (FY2018/19: HK$14.09 million) from Environmental Treatment Business.

During the Reporting Period, the overall gross profit margin was 40% which increased by 5% as compared with 35% in FY2018/19. The gross margin of the Cigarette Packaging Business was approximately 41%, representing an increase of 5% as compared with FY2018/19. The increase in gross profit margin is due to reduction of costs and minimization of in wastage in raw materials. The gross profit margin for the Environment Treatment Business was approximately 40%, representing an increase of 9% as compared with 31% in FY2018/19. The increase of gross margin was resulted from effective cost control to the projects in Liboshui and Daniulei floodgate. The Group will strive to reduce the construction costs so as to increase the operational efficiency.

Distribution Costs

The distribution costs of the Group in the Reporting Period was amounted to approximately HK$1.76 million, represented a decrease of approximately 26% as compared with FY2018/19 of approximately HK$2.38 million.

Administrative Expenses

The Group's administrative expenses for the Reporting Period was approximately HK$37.08 million (FY2018/19: HK$31.85 million), represented an increase of approximately HK$5.23 million. The increase of administrative expenses was mainly due to the expenses in administration, research and development relating to the Environmental Treatment Business.

Other Gains — Net

During the Reporting Period, the total other gains — net were approximately HK$5.67 million (FY2018/19: HK$2.05 million). The Group recorded a gain of approximately HK$5.06 million in disposal and changes in fair value in financial assets at fair value through profit and loss (FY2018/19: HK$0.86 million). The Group also recorded a gain of approximately HK$0.61 million from foreign exchanges (FY2018/19: losses of HK$1.19 million) which were resulted from the fluctuation of Renminbi against Hong Kong dollars.

Finance Income — Net

During the Reporting Period, the finance income primarily consisted of interest income on certain non-derivative wealth management products and of loans to independent third parties. Net financial income was approximately HK$7.07 million (FY2018/19: HK$9.08 million).

Taxation

During the Reporting Period, income tax expense was approximately HK$18.78 million, representing an increase of approximately HK$5.16 million as compared to HK$13.62 million for FY2018/19. The Group's indirect wholly owned subsidiaries, Shantou Xinda Colour Printing & Packaging Material Company Limited and Shantou Hongdong Environmental Treatment Company Limited, are granted preferential tax rate at 15%.

Profit attributable to owners of the Company

During the Reporting Period, the Profit attributable to owners of the Company was approximately HK$81.44 million, representing an increase of approximately HK$25.14 million or approximately 45%, as compared with approximately HK$56.30 million in FY2018/19. The increase was mainly attributable to an increase in revenue and gross profit from the Environmental Treatment Business and an increase in other gains.

Dividends

The Board has recommended to declare a final dividend of HK4.00 cents per ordinary share for the nine months ended 31 December 2019 (the "**Final Dividend**") (FY2018/19: HK3.0 cents per ordinary share) whose names appear on the Register of Members of the Company on 15 June 2020. During the Reporting Period, the Board declared and paid an interim dividend of HK3.0 cents per share and a special dividend of HK1.0 cent per share (total HK4.0 cents) for the six months ended 30 September 2019. 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 24 June 2020.

Trade and Notes Receivables

As at 31 December 2019, the total trade and notes receivable were approximately HK$156.08 million, represented an increase of by approximately HK$79.33 million as compared with HK$76.75 million as at 31 March 2019. The increase was mainly resulted from the receivables of the projects of Environmental Treatment Business.

Details of trade and notes receivables are set out in Note 9 of the Notes in this announcement.

Prepayments and Other Receivables

	31 December 2019 *HK$'000*	**31 March 2019** *HK$'000*
Other receivables	**22,396**	1,657
Prepayments	**5,534**	343
Interest receivables from loans to third parties	**3,825**	–
Less: allowance for impairment of other receivables	**(285)**	(297)
	31,470	1,703

Note: As at 31 December 2019, other receivables mainly included deposits and amounts due from independent third parties which were unsecured, interest free, receivable on demand and denominated in RMB. HK$18,246,000 of it was repaid to the Group in January 2020.

Financial assets at FVPL

The Group adopted a prudent attitude in its securities investments. 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 value of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges. During the Reporting Period, the gains from listed securities was approximately HK$5.06 million (FY2018/19: HK$0.86 million) including the unrealised gains on changes in fair value of HK$2.43 million (FY2018/19: gains of HK$1.22 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 December 2019 and 31 March 2019, the Group held the following financial assets at FVPL:

	Number of shares	**31 December 2019** *HK$'000*	31 March 2019 *HK$'000*
Equity securities listed in Hong Kong			
CNG Power (01816)	**5,250,000**	**10,920**	11,498
Equity securities listed in the PRC			
Guangdong Liantai (聯泰環保 603797)	**660,000**	**8,289**	11,420
Other equity securities *(Note)*		**5,537**	5,675
		24,746	28,593

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

Capital structure, liquidity and financial resources

As at 31 December 2019, the Group's total cash and restricted cash balances amounted to approximately HK$200.70 million (31 March 2019: HK$266.81 million) including restricted cash of HK$40.76 million (31 March 2019: HK$42.28 million) and cash and cash equivalent HK$159.94 million (31 March 2019: 224.52 million).

During the Reporting Period, the Group's net cash used in investing activities and financing activities amounted to approximately HK$15.19 million and HK$49.41 respectively, and net cash generated from operating amounted to HK$14.54 million. The Group primarily uses cash inflow of operating activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

The Group did not have any borrowings as at 31 December and 31 March 2019 and thus no gearing was presented.

Exposure to fluctuation in exchange rate

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

The Group's exposure to foreign currency risk was primarily related to certain cash and bank balances, financial assets at FVPL, trade receivables, other receivables and other payables and accruals denominated in HK$ and US dollar. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

Capital expenditure

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK$11.67 million (FY2018/19: HK$19.64 million), which was used in the acquisition of property, plant and equipment, intangible assets and prepayments for non-current assets and right-of-use assets.

Charge on assets

As at 31 December 2019, the Group placed cash deposits of approximately HK$40.76 million with designated banks as collateral for Group's notes payable (31 March 2019: HK$42.28 million).

Contingent liabilities

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

Capital commitments

As at 31 December 2019, the Group had capital commitments for the amount of approximately HK$14.26 million (31 March 2019: HK$1.51 million) for acquisition of property, plant and equipment.

HUMAN RESOURCES

As at 31 December 2019, the Group employed a total of 341 (31 March 2019: 351) permanent employees in the PRC and Hong Kong. Total employee remuneration (including directors' emoluments and benefits) in the Reporting Period amounted to HK$27.82 million (2018/19: HK$29.14 million). The Group provided 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

Coupled with the plight brought about by the outbreak of COVID-19 brought challenges to all industries including the cigarette packaging material business. The Company's operating results for 2020 will inevitably be affected to a certain extent. The main problem encountered is the logistic of raw materials and finished goods. On the whole, cigarettes are a necessity for smokers. The management of the Company believes that the impact of the epidemic is temporary. After the epidemic, we expects the overall cigarette business will gradually recover to normal level. The Company will continue to follow closely to these extraordinary circumstances, stay cautious on the market. In the meanwhile, we will continue to improve our operational efficiency and internal control system, reinforce market knowledge and solid our relation with existing customers and also explore potential customers to strengthen our position in the market.

The progress of the environmental project has been affected to a certain extent because of the outbreak of COVID-19. The Group will take necessary steps to ensure minimal disruption to our operation, whilst safeguarding the health and wellbeing of our employees. In the future, we will actively participate in research and investigation of water ecological environment governance in the Guangdong Province especially in the Lianjiang and Shahe river basins to develop comprehensive water management and ecological restoration projects in the province. The company hopes that, with the support of strong technical background our Environmental Treatment Business will steadily move forward.

Looking forward, the epidemic has brought about additional uncertainties and risks in the Group's operating environment in China. The Group will put in place contingency measures to lower the impact from this outbreak. Management will take a decisive and positive approach to create more value for our Shareholders.

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

The AGM is scheduled to be held on 29 May 2020. The register of members of the Company will be closed from 26 May 2020 to 29 May 2020, both days inclusive, for the purpose of identifying Shareholders who are entitled to attend the AGM, during which 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 25 May 2020.

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 15 June 2020. In order to ascertain the entitlement to the proposed final dividend, the register of members of the Company will be closed from 11 June 2020 to 15 June 2020 (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 8 June 2020. 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 10 June 2020.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group has no material acquisitions or disposals of subsidiaries and associated companies in the Reporting Period.

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 Reporting Period 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 department 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 Reporting Period, an independent non-executive director and a non-executive director were unable to attend general meetings of the Company as they were 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 details to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13. During the Reporting Period, 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 periodical updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details 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.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interest with the Group.

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 Reporting Period.

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 Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float for its Shares as required under the Listing Rules during the Reporting Period and up to the date of this announcement.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Boards (the "**Audit Committee**") comprises three independent non-executive directors, including Mr. Lau Kwok Hung (Chairman of the Audit Committee), Mr. Fok Po Tin and Mr. Ma Wenming. Mr. Lau Kwok Hung has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules.

The functions of the Audit Committee are, among others, to assist the Board to review the financial reporting, including interim and final results, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to oversee of the Company's risk management, internal control procedures and external audit functions and to make relevant recommendations to the Board to ensure effective and efficient operations and reliable reporting processes.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, reviewed the annual results of the Group for the Reporting Period 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 nine months ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders and made 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 Holdings Company Limited
Zheng Andy Yi Sheng
Chairman

Hong Kong, 27 March 2020

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