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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2015 was approximately HK$126.8 million, decreased by 11.7% as compared with HK$143.6 million for the corresponding period in 2014
- Gross profit for the six months ended 30 September 2015 was approximately HK$47.8 million, decreased by 1.4% as compared with HK$48.5 million for the corresponding period in 2014
- Profit attributable to equity holders for the six months ended 30 September 2015 was approximately HK$24.4 million, decreased by 22.5% as compared with HK$31.5 million for the corresponding period in 2014
- Basic earnings per share for the current period was HK7.19 cents (six months ended 30 September 2014: HK10.01 cents)
- The Board of Directors recommended to declare an interim dividend of HK4.0 cents per share for the six months ended 30 September 2015 (six months ended 30 September 2014: HK4.0 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Note	Six months ended 30 September 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Revenue	3, 4	**126,754**	143,599
Cost of sales	5	**(78,963)**	(95,147)
Gross profit		**47,791**	48,452
Distribution costs	5	**(1,315)**	(1,352)
Administrative expenses	5	**(15,500)**	(10,530)
Other (losses)/gains — net		**(3,483)**	404
Operating profit		**27,493**	36,974
Finance income		**1,890**	2,252
Profit before income tax		**29,383**	39,226
Income tax expense	6	**(6,131)**	(7,763)
Profit for the period		**23,252**	31,463
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(11,846)**	234
Other comprehensive income for the period		**(11,846)**	234
Total comprehensive income for the period		**11,406**	31,697
Profit/ (loss) attributable to:			
Owners of the Company		**24,380**	31,463
Non-controlling interests		**(1,128)**	–
		23,252	31,463
Total comprehensive income attributable to:			
Owners of the Company		**12,739**	31,697
Non-controlling interests		**(1,333)**	–
		11,406	31,697
Earnings per share			
— Basic and diluted	7	**HK7.19 cents**	HK10.01 cents
Dividends	8	**13,570**	13,570

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

As at 30 September 2015

	Note	**30 September 2015** ***HK$'000*** **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**46,861**	49,882
Prepaid operating lease		**6,467**	6,784
Deferred tax assets		**2,085**	1,083
Prepayments for non-current assets		**13,375**	13,142
		68,788	70,891
Current assets			
Inventories		**34,871**	33,075
Trade receivables	*9*	**86,224**	92,005
Prepayments and other receivables		**2,839**	14,005
Financial assets at fair value through profit or loss		**11,178**	–
Bank deposits with maturity over three months		**–**	42,674
Other financial assets	*10*	**103,093**	–
Restricted cash at banks		**44,536**	52,088
Cash and cash equivalents		**60,015**	137,904
		342,756	371,751
Total assets		**411,544**	442,642

	Note	30 September 2015 HK$'000 (Unaudited)	31 March 2015 HK$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**3,393**	3,393
Other reserves		**193,357**	202,698
Retained earnings			
— Proposed dividends		**13,570**	27,140
— Others		**93,661**	82,851
		303,981	316,082
Non-controlling interests		**6,378**	7,711
Total equity		**310,359**	323,793
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**5,303**	4,388
Current liabilities			
Trade and notes payable	*12*	**71,829**	84,183
Other payables		**15,809**	20,587
Current income tax liabilities		**8,244**	9,691
		95,882	114,461
Total liabilities		**101,185**	118,849
Total equity and liabilities		**411,544**	442,642
Net current assets		**246,874**	257,290
Total assets less current liabilities		**315,662**	328,181

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2015

1 GENERAL INFORMATION

Huaxi Holdings Company Limited was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is the offices of Appleby Trust (Cayman) Ltd., 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 manufacturing and sales of cigarette packing materials and trading of agricultural products in the People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 December 2013.

This condensed consolidated interim financial information for the six months ended 30 September 2015 ("Interim Financial Information") is presented in thousands of Hong Kong dollar ("HK$"), unless otherwise stated. This Interim Financial Information was approved for issue on 27 November 2015.

The Interim Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 March 2015.

(a) Amended Standards and interpretations adopted by the Group

Amendment to HKAS19	Regarding defined benefit plans: employee contributions
Annual improvements 2012	Changes from the 2010–2012 cycle of the annual improvements project
Annual improvements 2013	Changes from the 2011–2013 cycle of the annual improvements project

Adoption of the above amendments does not have a significant impact on these interim condensed financial statements.

(b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

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

(c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

3 SEGMENT INFORMATION

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

In previous years, the Group is principally engaged in the manufacture and sales of packaging materials for cigarette in the PRC (the "Cigarette Packaging Business"). Therefore, management reviews the operating results of the business as one reportable segment. During the current period, the Group expanded into the business of trading of agricultural products which is identified as another reportable segment. For the six months ended 30 September 2015, all of the Group's revenue of approximately HK$126.8 million and gross profit of approximately HK$47.8 million was contributed by Cigarette Packaging Business as the trading of agricultural products is at its initial development stage. Accordingly, in the opinion of the directors of the Company, the presentation of segment information by reportable segments would provide no additional useful information to the users of these financial statements.

For the six months ended 30 September 2015, the major operating entity of the Group is domiciled in the PRC and accordingly, majority of the Group's revenue were derived in the PRC (six months ended 30 September 2014: same).

As at 30 September 2015, majority of the non-current assets were located in the PRC (31 March 2015: same).

4 REVENUE

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
Sales of cigarette packaging	**126,209**	143,599
Other products	**545**	–
	126,754	143,599

Except for the two customers below, no other customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 September 2015 (six months ended 30 September 2014: same):

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
Customer A	**51.3%**	54.6%
Customer B	**21.3%**	18.2%
	72.6%	72.8%

All of the Group's sales are carried out by its subsidiary in the PRC.

5 EXPENSES BY NATURE

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**70,904**	87,813
Staff costs (including directors' emoluments)	**12,859**	8,367
Depreciation and amortisation	**2,870**	2,635
Utilities	**1,770**	1,946
Business tax and other taxes	**1,489**	1,358
Transportation expenses	**1,044**	1,009
Operating lease rentals in respect of rented premises	**706**	586
Travelling expenses	**480**	392
Office expenses	**355**	319
Other expenses	**3,301**	2,604
Total cost of sales, distribution costs and administrative expenses	**95,778**	107,029

6 INCOME TAX EXPENSE

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**6,218**	6,066
Deferred income tax		
— PRC corporate income tax	**(1,002)**	144
— Withholding income tax for profit to be distributed from the PRC	**915**	1,553
	6,131	7,763

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2015 (six months ended 30 September 2014: nil).

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 numbers of ordinary shares in issue during the period.

	Six months ended 30 September	
	2015	2014
Profit attributable to owners of the Company (HK$'000)	**24,380**	31,463
Weighted average numbers of ordinary shares in issue	**339,250,000**	314,206,000
Basic earnings per share	**HK7.19 cents**	HK10.01 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.

For the period ended 30 September 2015, as the average market share price of the ordinary shares during the period was lower than the subscription price of the share options, diluted earnings per share is the same as basic earnings per share.

8 DIVIDENDS

A final dividend of HK8.00 cents per ordinary share in respect of the year ended 31 March 2015, totalling approximately HK$27,140,000, were paid during the period.

On 27 November 2015, the Board has resolved to declare an interim dividend of HK4.0 cents per share (2014: HK4.0 cents per share), which is payable on or around 15 January 2016 to shareholders who are on the register at 4 January 2016. This interim dividend, amounting to HK$13,570,000 (2014: HK$13,570,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 March 2016.

9 TRADE RECEIVABLES

	30 September 2015 *HK$'000*	31 March 2015 *HK$'000*
Trade receivables	**86,224**	92,005

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

	30 September 2015 *HK$'000*	31 March 2015 *HK$'000*
Less than 30 days	**73,173**	89,913
31 days to 60 days	**11,032**	1,653
61 days to 90 days	**1,240**	–
91 days to 180 days	**742**	252
Over 180 days	**37**	187
	86,224	92,005

As at 30 September 2015, trade receivables of HK$779,000 (31 March 2015: HK$439,000) were past due but not impaired. These relate to one independent customer for whom there is no financial difficulty and the executive directors, based on past experience, consider that those amounts can be recovered.

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

	30 September 2015 *HK$'000*	31 March 2015 *HK$'000*
Denominated in RMB	**86,224**	91,044
Denominated in HK$	**–**	961
	86,224	92,005

10 OTHER FINANCIAL ASSETS

	30 September 2015 *HK$'000*	31 March 2015 *HK$'000*
Other financial assets	**103,093**	–

Other financial assets comprised certain non-derivative wealth management products with maturity date of less than 14 days from a financial institution in the PRC.

11 SHARE CAPITAL

Authorised share capital	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$*	**Equivalent nominal value of ordinary shares** *HK$*
At 1 April 2014 and 2015, 30 September 2014 and 2015	2,000,000,000	0.01	20,000,000

Ordinary Shares, issued and fully paid	**Number of issued shares**	**Amount** *HK$*
At 1 April 2015 and 30 September 2015	339,250,000	3,392,500
At 1 April 2014	311,250,000	3,112,500
Issuance of ordinary shares (Note (i))	28,000,000	280,000
At 30 September 2014	339,250,000	3,392,500

(i) On 12 September 2014, the Company issued 28,000,000 ordinary shares of HK$0.01 each at HK$1.70 per share. Total proceeds from issuance of such new shares before issuance expenses amounted to HK$47,600,000.

12 TRADE AND NOTES PAYABLE

	30 September 2015 HK$'000	31 March 2015 HK$'000
Trade payables (Note (a))	**26,781**	31,416
Notes payable — bank acceptance notes	**45,048**	52,767
	71,829	84,183

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

	30 September 2015 HK$'000	31 March 2015 HK$'000
Within 90 days	**25,790**	30,001
90 to 180 days	**91**	501
Over 180 days	**900**	914
	26,781	31,416

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Huaxi Holdings Company Limited (the "Company") together with its subsidiaries (together, the "Group") is one of the major cigarette-related packaging materials manufacturers and suppliers in the Peoples Republic of China ("the PRC"). We are a trusted supplier to two of the national backbone cigarette brands, which are among the 30 key cigarette brands across the national market identified by the State Tobacco Monopoly Administration (中國國家煙草專賣局).

In 2015, various adverse factors posed challenges to the cigarette industry business in the PRC. The Smoking Ban policy imposed a nationwide ban smoking in public places in China, revising the tobacco tax. The sales volume of tobacco in the first eight months in 2015 decreased by approximately 2.6% while the key brands continue to gain market share and the revenue of these top brands recorded an increase of approximately 4.5%. Being a trusted supplier of key brand cigarette manufacturers, the Board believes that we shall benefit from such prevailing market trend.

BUSINESS REVIEW

Revenue

Manufacture of cigarette package materials was still the core business in the period under review. For the six months ended 30 September 2015, the Group's revenue was approximately HK$126.8 million (for the six months ended 30 September 2014: HK$143.6 million), representing a decrease of 11.7% as compared to the corresponding period of 2014. The decrease was mainly affected by the austerity smoking ban policy implemented by the Chinese Government.

The following table sets forth the breakdown of the Group's revenue by product category for the six months ended 30 September 2015 and 2014:

	Six months ended 30 September			
	2015		2014	
	HK$'000 (unaudited)	***%***	*HK$'000* (unaudited)	*%*
Inner frame paper	60,287	47.7	65,455	45.6
Cigarette box frame paper	24,650	19.4	20,873	14.6
Tipping paper	27,955	22.1	35,236	24.5
Cigarette trademark labels	3,611	2.8	5,355	3.7
Cigarette paper boxes	2,496	2.0	1,156	0.8
Transfer printing cardboard and transfer art paper	7,210	5.7	15,524	10.8
Others	545	0.3	–	–
	126,754	100.0	143,599	100.0

Gross Profit and Gross Profit Margin

Gross profit of the Group for the period under review was approximately HK$47.8 million, representing a decrease of approximately 1.4% as compared with approximately HK$48.5 million for the corresponding period in 2014. The Group's gross profit margin was approximately 37.7% for the six months ended 30 September 2015, slightly increased by 4.0% compared to 33.7% for the same period in 2014.

Distribution Costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs slightly decreased by approximately HK$0.1 million from approximately HK$1.4 million for the six months ended 30 September 2014 to HK$1.3 million for the same period in 2015 in line with revenue.

Administrative Expenses

Administrative expenses increased by approximately HK$5.0 million from approximately HK$10.5 million for the six months ended 30 September 2014 to approximately HK$15.5 million for the six months ended 30 September 2015. The increase was mainly due to the increase of staff costs in related to options granted in January 2015, approximately amounted to HK$2.3 million and the development of new biotechnology business, mainly expenses of establishing office in Shanghai and Heilongjiang for approximately HK$2.6 million during the period under reviewed.

Finance Income

Finance income of the Group decreased from approximately HK$2.3 million for the six months ended 30 September 2014 to approximately HK$1.9 million for the six months ended 30 September 2015. The decrease was arising from the average decrease in bank deposits of the Group during the period.

Income Tax Expenses

The Group's income tax expense decreased by approximately HK$1.7 million from approximately HK$7.8 million for the six months ended 30 September 2014 to approximately HK$6.1 million for the six months ended 30 September 2015 in line with the decrease of profit before tax expenses. The effective tax rate of the Group was approximately 20.9% for the six months ended 30 September 2015, which increased by approximately 1.1% when compared with approximately 19.8 % for the same period in 2014.

Profit attributable to owner of the Company

The Group achieved a profit attributable to owners of the Company of HK$24.4 million during the period under review, representing a decrease of 22.5% as compared to HK$31.5 million in the same period in 2014. The decrease in the current period was primarily attributable to (i) non-cash items including the recognition of fair value of options granted by the Company as cost of staff and consultants; (ii) a decrease in market value of listed securities; and (iii) an increase in administrative costs to establish new companies in Shanghai and Heilongjiang.

Capital structure, liquidity and financial resources

As at 30 September 2015, the Group's total cash (included cash and cash equivalents, restricted cash and bank deposits with maturity over three months) amounted to HK$104.6 million, compared to HK$232.7 million as at 31 March 2015. The decrease was mainly resulted from investment in non-derivative wealth management products (value as at 30 September 2015 for HK$103.1 million) instead of placed in bank deposit during the period under review.

At 30 September 2015, the Group had current assets of approximately HK$342.8 million, (31 March 2015: approximately HK$371.8 million) and current liabilities of approximately HK$95.9 million (31 March 2015: approximately HK$114.5 million). The current ratio (calculated as current assets to current liabilities) increased from 3.25 as at 31 March 2015 to 3.57 as at 30 September 2015.

For the six months ended 30 September 2015, the Group's net cash inflow of operating activities, net cash outflow of investing activities and financing activities amounted to approximately HK$26.9 million, approximately HK$70.4 million and approximately HK$27.1 million respectively. The Group primarily used cash inflow of operating activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

The Group did not have any borrowing as at 30 September 2015 and 31 March 2015.

Exposure to fluctuations in exchange rate

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

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

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately HK$1.5 million, which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 September 2015, the Group had pledged bank deposits amounting to HK$44.5 million (31 March 2015: HK$52.1 million) for issuance of bank acceptant notes.

Saved as above, no other assets of the Group was pledged.

Contingent liability

The Group had no significant contingent liabilities as at 30 September 2015 and 31 March 2015.

Capital commitments

As at 30 September 2015, the Group had capital commitments for the amount of approximately HK$2.3 million (31 March 2015: HK$0.7 million) for acquisition of property, plant and equipment.

Strategies will also be adopted to align the Group in satisfying the specific demands of our customers.

The Group will also continue its efforts in cost cutting and productivity improvement.

FUTURE OUTLOOK

Although the tobacco industry in China was undergoing an adverse environment due to the policy of Chinese Government, we will continue to enhance the relation with the existing customers and to develop new business with existing and other cigarette manufactures through new tender by our successful track record. Recently, our subsidiary in Shantou wins a bid to supply packaging materials to a cigarette manufacturer in Shanghai in 2016 and 2017.

In order to broaden the Group's sources of income, we had diversified our business into the biotechnology sector. The Group's entered into a technology agreement with Yangtze Delta Region Institute of Tsinghua University on the research of varieties of rice and wheat specialized for the cure of diabetes as well as the seedling cultivation and planting technology. High-resistant starch food for the diabetes is under final stage of research and development. These healthy foods will launch into the market soon.

Besides high starch resistant food products for diabetes, the Group also cooperate with Yangtze Delta Region Institute of Tsinghua University, Zhejiang in sewage treatment technology. Guangdong Foxin Environmental Management Company Limited (廣東佛欣環境治理有限公司*) ("Guangdong Foxin") was incorporated in August 2015 which was principally engaged in water and environmental protection, river environmental management, sewage treatment and ecological restoration. Guangdong Foxin consists experienced professional team in sewage treatment and environment protection. The board of directors is of the view that diversification of the Group's business into green business will expand its income sources.

Looking forward, the Board will diversify our single line business into biotechnology business and also seek for suitable acquisition and investment opportunities to offer high growth potential and returns to create long-term shareholder value.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK 4.0 cents (2014: HK4.0 cents) per share. The interim dividend will be paid on or around 15 January 2016 to shareholders whose names appear on the Register of Members of the Company on 4 January 2016.

CLOSURE OF REGISTERED MEMBERS

The register of members of the Company will be closed from 30 December 2015 to 4 January 2016 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2015. In order to be qualified for the interim dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 29 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the period under review.

* *For identification purposes only*

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the six months ended 30 September 2015 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.4.1

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2015.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Lau Kwok Hung (Chairman), Mr. Ma Wenming and Mr. Fok Po Tin, had reviewed the interim results of the Group for the six months ended 30 September 2015. During the period, a regular meeting of the Audit Committee has been held.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.huaxihds.com.hk). The interim report for the period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and available on the same websites in due course.

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

Hong Kong, 27 November 2015

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