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 2016

Financial Highlights

- Revenue for the six months ended 30 September 2016 was HK$111.89 million, decreased by 11.7% as compared with HK$126.75 million for the corresponding period in 2015

- Gross profit for the six months ended 30 September 2016 was HK$43.62 million, decreased by 8.7% as compared with HK$47.79 million for the corresponding period in 2015

- Profit attributable to equity holders for the six months ended 30 September 2016 was HK$21.32 million, decreased by 12.6% as compared with HK$24.38 million for the corresponding period in 2015

- Basic earnings per share for the current period was HK6.28 cents (six months ended 30 September 2015: HK7.19 cents)

- The Board of Directors recommend to declare an interim dividend of HK4.0 cents per share for the six months ended 30 September 2016 (six months ended 30 September 2015: HK4.0 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2016

	Note	**Six months ended 30 September 2016 HK$'000 (Unaudited)**	2015 HK$'000 (Unaudited)
Revenue	*3,4*	**111,890**	126,754
Cost of sales	*5*	**(68,271)**	(78,963)
Gross profit		**43,619**	47,791
Distribution costs	*5*	**(1,116)**	(1,315)
Administrative expenses	*5*	**(14,827)**	(15,500)
Other losses — net		**(961)**	(3,483)
Operating profit		**26,715**	27,493
Finance income		**1,588**	1,890
Profit before income tax		**28,303**	29,383
Income tax expense	*6*	**(6,638)**	(6,131)
Profit for the period		**21,665**	23,252
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Currency translation difference		**(10,024)**	(11,846)
Other comprehensive income for the period		**(10,024)**	(11,846)
Total comprehensive income for the period		**11,641**	11,406
Profit/(loss) attributable to:			
Owners of the Company		**21,319**	24,380
Non-controlling interests		**346**	(1,128)
		21,665	23,252
Total comprehensive income attributable to:			
Owners of the Company		**11,442**	12,739
Non-controlling interests		**199**	(1,333)
		11,641	11,406
Earnings per share			
— Basic	*7*	**HK6.28 cents**	HK7.19 cents
— Diluted	*7*	**HK6.19 cents**	HK7.19 cents
Dividends	*8*	**13,570**	13,570

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2016

	Note	**30 September 2016 *HK$'000* (Unaudited)**	31 March 2016 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**43,544**	43,937
Prepaid operating lease		**6,012**	6,291
Deferred tax assets		**2,266**	2,063
Prepayments for non-current assets		**11,614**	13,361
		63,436	65,652
Current assets			
Inventories		**33,601**	33,248
Trade and notes receivable	*9*	**82,313**	76,033
Amounts due from customer for contract work	*10*	**10,281**	2,380
Prepayments and other receivables		**3,950**	8,373
Financial assets at fair value through profit or loss		**29,359**	38,049
Restricted cash at banks		**17,828**	39,194
Cash and cash equivalents		**139,742**	140,625
		317,074	337,902
Total assets		**380,510**	403,554
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**3,393**	3,393
Other reserves		**182,634**	191,600
Retained earnings		**114,594**	113,630
— Proposed dividends		**13,570**	20,355
— Others		**101,024**	93,275
		300,621	308,623
Non-controlling interests		**4,650**	4,451
Total equity		**305,271**	313,074

	Note	30 September 2016 HK$'000 (Unaudited)	31 March 2016 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**4,570**	6,641
Current liabilities			
Trade and notes payable	*12*	**44,975**	60,946
Other payables and accruals		**16,868**	14,502
Amount due to a related party		**–**	2,000
Current income tax liabilities		**8,826**	6,391
		70,669	83,839
Total liabilities		**75,239**	90,480
Total equity and liabilities		**380,510**	403,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. GENERAL INFORMATION

Huaxi Holdings Company Limited was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is 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 (i) manufacturing and sales of cigarette packing materials in the People's Republic of China (the "PRC"); (ii) development and sales of functional food products; and (iii) environmental treatment business.

The Company 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 2016 ("Interim Financial Information") is presented in thousands of Hong Kong dollar ("HK$"), unless otherwise stated.

The Interim Financial Information has not been audited and was approved for issue on 25 November 2016.

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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied were consistent with those described in the annual financial statements for the year ended 31 March 2016.

(a) Amended standards and interpretations adopted by the Group

Amendment to HKAS16 and HKSA 38	Clarification of acceptable methods of depreciation and amortisation
Amendment to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

Adoption of the above amendments did not have a significant impact on the Interim Financial Information.

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

		Effective for annual periods beginning on or after
HKAS 12	Income taxes	1 January 2017
HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Lease	1 January 2019
HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

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

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.

For the six months ended 30 September 2015, the Group was principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the "Cigarette Packaging Business"), which contributed to more than 90% of the Group's revenue and assets.

For the six months ended 30 September 2016, the Group diversified its business into manufacturing and sales of biotechnology products (the "Biotechnology Business") and environmental treatment business (the "Environmental Treatment Business"). The Environmental Treatment Business contributed to more than 15% of the Group's revenue, while the Biotechnology Business contributed to less than 10% of the Group's key financial indicators as it is in preliminary stage of development.

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, deferred tax assets and other unallocated assets. Segment liabilities exclude current income tax liabilities, deferred tax liabilities and other unallocated liabilities.

Capital expenditures comprise additions to property, plant and equipment.

The segment results and other segment items of the Group for the six months ended 30 September 2016 are as follows:

	Cigarette Packaging Business *HK$'000*	**Environmental Treatment Business** *HK$'000*	**Biotechnology Business** *HK$'000*	**Group** *HK$'000*
Revenue	**92,466**	**17,920**	**1,504**	**111,890**
Segment results	**26,033**	**4,750**	**(2,769)**	**28,014**
Other losses — net				**(1,299)**
Operating profit				**26,715**
Finance income				**1,588**
Profit before income tax				**28,303**
Income tax expense				**(6,638)**
Profit for the period				**21,665**
Other segment item Depreciation and amortisation	**(2,446)**	**(35)**	**(42)**	**(2,523)**

The segment results and other segment items of the Group for the six months ended 30 September 2015 are as follows:

	Cigarette Packaging Business *HK$'000*	Environmental Treatment Business *HK$'000*	Biotechnology Business *HK$'000*	Group *HK$'000*
Revenue	126,754	–	–	126,754
Segment results	36,157	(5)	(2,551)	33,601
Other or losses — net				(6,108)
Operating profit				27,493
Finance income				1,890
Profit before tax				29,383
Income tax expense				(6,131)
Profit for the period				23,252
Other segment item Depreciation and amortisation	(2,841)	–	(29)	(2,870)

The segment assets and liabilities at 30 September 2016 are as follows:

	Cigarette Packaging Business *HK$'000*	**Environmental Treatment Business** *HK$'000*	**Biotechnology Business** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Group** *HK$'000*
Segment assets	**289,912**	**16,820**	**16,580**	**(15,971)**	**316,341**
Financial assets at fair value through profit or loss					**29,359**
Deferred tax assets					**2,266**
Other unallocated assets					**32,544**
Total assets					**380,510**
Segment liabilities	**62,127**	**7,274**	**9,338**	**(15,991)**	**61,768**
Current income tax liabilities					**8,826**
Deferred tax liabilities					**4,570**
Other unallocated liabilities					**75**
Total liabilities					**75,239**
Capital expenditures	**2,908**	**482**	**328**	**–**	**3,718**

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

	Cigarette Packaging Business *HK$'000*	Environmental Treatment Business *HK$'000*	Biotechnology Business *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000*
Segment assets	346,805	7,646	16,289	(7,680)	362,060
Financial assets at fair value through profit or loss					38,049
Deferred tax assets					2,063
Other unallocated assets					382
Total assets					403,554
Segment liabilities	76,210	2,700	6,168	(7,680)	77,398
Current income tax liabilities					6,391
Deferred tax liabilities					6,641
Other unallocated liabilities					50
Total liabilities					90,480
Capital expenditures	1,267	368	100	–	1,735

4. REVENUE

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Sales of cigarette packaging products	**92,358**	126,209
Revenue from construction contract	**17,920**	–
Sales of biotechnology products	**1,504**	–
Sales of other products	**108**	545
	111,890	126,754

Except for the three customers below, no other customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 September 2016 (six months ended 30 September 2015: two):

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Customer A	**58.0%**	51.3%
Customer B	**17.8%**	21.3%
Customer C	**15.9%**	–
	91.7%	72.6%

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

5. EXPENSES BY NATURE

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**50,087**	70,904
Staff costs (including directors' emoluments)	**11,369**	12,859
Raw materials consumed and subcontracting cost for construction contract	**11,253**	–
Depreciation and amortisation	**2,523**	2,870
Utilities	**1,923**	1,770
Business tax and other taxes	**1,464**	1,489
Operating lease rentals in respect of rented premises	**998**	706
Office expenses	**768**	355
Transportation expenses	**748**	1,044
Travelling expenses	**319**	480
Other expenses	**2,762**	3,301
Total cost of sales, distribution costs and administrative expenses	**84,214**	95,778

6. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax was provided as the Company and the Group did not have assessable profit in Hong Kong for the period. The profit of the group entities in Hong Kong is mainly derived from dividend income from subsidiaries, which is not subject to Hong Kong profits tax.

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008.

On 9 October 2014, one of the Group's subsidiaries in the PRC was awarded High and New Technology Enterprise Certificate which is effective for three years commencing on 1 January 2014. The applicable income tax rate was 15% for the six months ended 30 September 2016 (six months ended 30 September 2015: 15%).

According to the EIT Law and Implementation Rules, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and the Hong Kong.

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Current income tax		
— PRC enterprise income tax	**6,008**	6,218
Deferred income tax		
— PRC enterprise income tax	**(272)**	(1,002)
— Withholding income tax for profit to be distributed from the PRC	**902**	915
	6,638	6,131

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2016 (six months ended 30 September 2015: 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 2016	2015
Profit attributable to owners of the Company *(HK$'000)*	**21,319**	24,380
Weighted average numbers of ordinary shares in issue	**339,250,000**	339,250,000
Basic earnings per share	**HK6.28 cents**	HK7.19 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: the ordinary shares to be issued under the share option scheme. A calculation is done to determine the numbers 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.

	Six months ended 30 September 2016	2015
Profit attributable to owners of the Company *(HK$'000)*	**21,319**	24,380
Weighted average numbers of ordinary shares in issue	**339,250,000**	339,250,000
Adjustments for share options	**5,163,000**	–
Weighted average numbers of ordinary shares for diluted earnings per share	**344,413,000**	339,250,000
Diluted earnings per share	**HK6.19 cents**	HK7.19 cents

8. DIVIDENDS

A final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 March 2016, totalling approximately HK$20,355,000, were paid during the period.

On 25 November 2016, the Board has resolved to declare an interim dividend of HK4.00 cents per share (2015: HK4.00 cents per share), which is payable on or around 19 January 2017 to shareholders who are on the register at 3 January 2017. This interim dividend, amounting to HK$13,570,000 (2015: HK$13,570,000), has not been recognised as a liability in the Interim Financial Information. It will be recognised in the financial statements for the year ending 31 March 2017.

9. TRADE AND NOTES RECEIVABLE

	30 September 2016 HK$'000	31 March 2016 HK$'000
Trade receivables	**81,383**	76,033
Notes receivable–bank acceptance notes	**930**	–
	82,313	76,033

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

	30 September 2016 HK$'000	31 March 2016 HK$'000
Less than 30 days	**66,688**	56,061
31 days to 60 days	**11,430**	13,414
61 days to 90 days	**3,055**	4,787
91 days to 180 days	**210**	1,771
	81,383	76,033

As at 30 September 2016, no trade receivables was past due but not impaired (31 March 2016: HK$1,771,000).

(b) All the carrying amounts of the Group's trade and notes receivable are denominated in RMB.

10. CONSTRUCTION CONTRACT

	30 September 2016 HK$'000	31 March 2016 HK$'000
Aggregate costs incurred plus recognised profit	**20,348**	2,428
Exchange differences	**(302)**	(48)
Less: progress billings	**(9,765)**	–
	10,281	2,380

11. SHARE CAPITAL

Authorised share capital	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		HK$	*HK$*
At 1 April 2015 and 2016, 30 September 2015 and 2016	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 2016 and 30 September 2015 and 2016	339,250,000	3,392,500

12. TRADE AND NOTES PAYABLE

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
Trade payables *(Note (a))*	**27,005**	21,447
Notes payable — bank acceptance notes	**17,970**	39,499
	44,975	60,946

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

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
Within 90 days	**26,180**	20,720
90 to 180 days	**417**	727
Over 180 days	**408**	–
	27,005	21,447

(b) The Group's trade and notes payable are interest-free and denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

Tobacco industry in PRC was affected by the economic environment policy in the PRC and the government had launched a number of antismoking campaign in the past. In the first half year, the sales volume of tobacco market was dropped by 6.5% to 24.4 million master cases.

For the period under review, the Group recorded a revenue of approximately HK$111.89 million (for the six months ended 30 September 2015: HK$126.75 million) representing a decrease of approximately 11.7% compared with the corresponding period in last year. The Group diversified its business into environment treatment and biotechnology field in last financial year. Manufacture and sales of cigarette package materials was still our core business which accounted for approximately HK$92.47 million (for the six months ended 30 September 2015: HK$126.75 million) representing approximately 82.6% of the total revenue which was decreased by HK$34.28 million as compared to the corresponding period of 2015. The decrease was mainly resulted from the decrease in sales volume of cigarette market and our customers delay in loading new orders due to the new rules on cigarette package labeling came into effect on 1 October 2016. Our new business lines, environment treatment project and sales of biotechnology products, contributed revenue amounting to HK$17.92 million and HK$1.50 million, representing approximately 16.0% and 1.4% respectively of the total revenue.

Gross Profit

Gross profit of the Group for the period under review was approximately HK$43.62 million, decreased by HK$4.17 million as compared with approximately HK$47.79 million for the corresponding period in 2015. During the period under review, The Group's gross profit margin for sales of cigarette package materials was approximately 41.8% for the six months ended 30 September 2016, increased by 4.1% compared to 37.7% for the same period in 2015. The gross profit, revenue from the environment treatment contract less all costs that are attributable to contract activity, was approximately HK$5.36 million, representing 29.9% of the revenue (for the six months ended 30 September 2015: Nil). Being a new participant of the health foods market, sales of biotechnology products recorded a gross loss of approximately HK$0.40 million.

Distribution Costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs for the six months ended 30 September 2016 was approximately HK$1.12 million decreased by approximately HK$0.20 million from HK$1.32 million for the six months ended 30 September 2015. Decrease in distribution costs was resulted from decrease in travelling expenses of our staff incurred for the sales and distribution activities in line with sales volume during current period.

Administrative Expenses

Administrative expenses slightly decreased by approximately HK$0.67 million from approximately HK$15.50 million for the six months ended 30 September 2015 to approximately HK$14.83 million for the six months ended 30 September 2016. The decrease was mainly due to the continuous efforts of the Group's tighter cost control measures during the period.

Finance Income

Finance income of the Group for the six months ended 30 September 2016 was approximately HK$1.59 million which was decreased by approximately HK$0.30 million from approximately HK$1.89 million for the corresponding period in 2015. The decrease was arising from the decrease in bank deposits of the Group during the period.

Income Tax Expense

The Group's income tax expense increased by approximately HK$0.51 million from approximately HK$6.13 million for the six months ended 30 September 2015 to approximately HK$6.64 million for the six months ended 30 September 2016. The effective tax rate of the Group was approximately 23.5% for the six months ended 30 September 2016, which was increased by approximately 2.6% when compared with approximately 20.9 % for the same period in 2015. Increase in effective tax rate was mainly resulted from the increase in certain non-deductible expenses and losses from new business.

Profit attributable to owner of the Company

For the period under review, profit attributable to owners of the Company was approximately HK$21.32 million, representing a decrease of approximately 12.6% as compared to approximately HK$24.38 million in the same period in 2015. The decrease was mainly due to the drop of turnover from sales of cigarette package materials.

Capital structure, liquidity and financial resources

As at 30 September 2016, the Group's total cash, included cash and cash equivalents and restricted cash at banks, amounted to approximately HK$157.57 million. Most of the Group's liquid fund is placed as deposits at various banks.

At 30 September 2016, the Group had current assets of approximately HK$317.07 million (31 March 2016: HK$337.90 million) and current liabilities of approximately HK$70.67 million (31 March 2016: HK$83.84 million). The current ratio (calculated as current assets to current liabilities) increased from 4.03 as at 31 March 2016 to 4.49 as at 30 September 2016.

For the six months ended 30 September 2016, the Group's net cash generated from operating activities, investing activities and net cash used in financing activities amounted to approximately HK$0.66 million, approximately HK$27.62 million and approximately HK$22.36 million respectively. The Group primarily uses cash inflow of operating activities and investing activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

The Group did not have any borrowing as at 30 September 2016 and 31 March 2016.

Exposure to fluctuations in exchange rate

The Group's exposure to foreign currency risk related primarily to certain cash at banks, financial assets at fair value through profit or loss, 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 manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately HK$3.72 million, (for the six months ended 30 September 2015: HK$1.50 million) which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 September 2016, the Group had pledged bank deposits amounting to HK$17.83 million (31 March 2016: HK$39.19 million) for issuance of bank acceptance notes.

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

Contingent liability

The Group has no significant contingent liabilities as at 30 September 2016 and 31 March 2016.

Capital commitments

As at 30 September 2016, the Group had capital commitments for the amount of approximately HK$0.14 million (31 March 2016: HK$2.16 million) for acquisition of property, plant and equipment.

HUMAN RESOURCES

As at 30 September 2016, the Group had 272 employees. The total staff costs of the Group for the six months ended 30 September 2016 were approximately HK$11.37 million, including directors' emoluments (for the six months ended 30 September 2015: HK$12.86 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

By estimation, in the coming years, the general consensus is that China's economic growth will continue to slow down and the overall market competition remained intensive. The Chinese tobacco industry is the "slowing behemoth" and, accordingly, there are major output adjustments in the cigarette packing material supply sector. Despite such, manufacture and sales of cigarette package materials business is still a stable contributor to the Group's profit. Management expects that after the depletion of customers' inventory level, demand of cigarette package materials will remain stable in the future. We will dedicate more efforts to bolster relations with existing customers to strengthen our customers' loyalty and keep on exploring new markets to expand our market share and enhance our market position. Besides, we will keep on tight control of quality and operations to maintain efficiency and implement various cost control measures.

In order to maximize returns to the shareholders and to diversify the Group's income stream, we commenced our business into the environmental treatment of rivers and lakes in early 2016. Progress of our first eco-rehabilitation contract is on track to meet contract targets.

Looking forward, the Group will continue to enhance its operational capabilities and improve the overall standards of its operations. We are seeking good opportunities to raise additional funds to strengthen the Group's financial position and cater for the needs of our future business development. The Board believes that it is in the interests of the Group and its shareholders to diversify its business and to actively pursue new business for the growth of the Group.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK4.00 cents (2015: HK4.00 cents) per share. The interim dividend will be paid on or around 19 January 2017 to shareholders whose names appear on the Register of Members of the Company on 3 January 2017.

CLOSURE OF REGISTERED MEMBERS

The register of members of the Company will be closed from 29 December 2016 to 3 January 2017 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2016. 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 28 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2016, 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.

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 six months ended 30 September 2016 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 there is sufficient 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 period under review, an Independent Non-executive Director was unable to attend the general meetings of the Company as he was out of town or had other engagements.

Code Provision C.1.2

Under Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13. During the period under review, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including Independent Non-executive Directors) of the Board quarterly 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 six months ended 30 September 2016.

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 annual results of the Group for the six months ended 30 September 2016. During the period, one 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 Holdings Company Limited
Zheng Andy Yi Sheng
Chairman

Hong Kong, 25 November 2016

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