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 2017

Financial Highlights

- Revenue for the six months ended 30 September 2017 was HK$89.26 million, decreased by 20% as compared with HK$111.89 million for the corresponding period in 2016

- Gross profit for the six months ended 30 September 2017 was HK$34.46 million, decreased by approximately HK$9.16 million or 21% as compared with HK$43.62 million for the corresponding period in 2016

- Profit attributable to equity holders for the six months ended 30 September 2017 was HK$18.52 million, decreased by approximately HK$2.80 million or 13% as compared with HK$21.32 million for the corresponding period in 2016

- Basic earnings per share for the six months ended 30 September 2017 was HK5.46 cents (six months ended 30 September 2016: HK6.28 cents)

- The Board of Directors recommends to declare an interim dividend of HK4.00 cents per share for the six months ended 30 September 2017 (six months ended 30 September 2016: HK4.0 cents)

The Board of Directors (the "Board") of Huaxi Holdings Company Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2017 together with comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2017

	Note	Six months ended 30 September 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Revenue	*3, 4*	**89,260**	111,890
Cost of sales	*5*	**(54,805)**	(68,271)
Gross profit		**34,455**	43,619
Distribution costs	*5*	**(902)**	(1,116)
Administrative expenses	*5*	**(12,692)**	(14,827)
Other losses — net	*6*	**(391)**	(961)
Operating profit		**20,470**	26,715
Finance income		**2,209**	1,588
Profit before income tax		**22,679**	28,303
Income tax expense	*7*	**(4,892)**	(6,638)
Profit for the period		**17,787**	21,665
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Currency translation differences		**13,602**	(10,024)
Other comprehensive income for the period		**13,602**	(10,024)
Total comprehensive income for the period		**31,389**	11,641
Profit/(loss) attributable to:			
Owners of the Company		**18,515**	21,319
Non-controlling interests		**(728)**	346
		17,787	21,665
Total comprehensive income attributable to:			
Owners of the Company		**31,820**	11,442
Non-controlling interests		**(431)**	199
		31,389	11,641
Earnings per share			
— Basic	*8*	**HK5.46 cents**	HK6.28 cents
— Diluted	*8*	**HK5.37 cents**	HK6.19 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS
As at 30 September 2017

	Note	**30 September 2017** **HK$'000** **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**40,022**	40,383
Prepaid operating lease		**5,936**	5,756
Deferred tax assets		**2,461**	2,442
Prepayments for non-current assets		**124**	118
		48,543	48,699
Current assets			
Inventories		**35,970**	29,760
Trade and notes receivables	*10*	**127,397**	115,546
Amount due from customer for contract work		**10,880**	22,098
Prepayments and other receivables		**1,717**	1,369
Financial assets at fair value through profit or loss	*11*	**21,940**	28,852
Restricted cash at banks		**27,467**	45,819
Cash and cash equivalents		**126,520**	116,507
		351,891	359,951
Total assets		**400,434**	408,650
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**3,393**	3,393
Other reserves		**188,220**	174,254
Retained earnings		**125,973**	127,812
		317,586	305,459
Non-controlling interests		**(3,274)**	(2,842)
Total equity		**314,312**	302,617

	Note	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**6,701**	6,212
Current liabilities			
Trade and notes payable	*13*	**53,803**	71,196
Other payables		**15,914**	19,889
Current income tax liabilities		**9,704**	8,736
		79,421	99,821
Total liabilities		**86,122**	106,033
Total equity and liabilities		**400,434**	408,650

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 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 and (ii) environmental treatment business in the People's Republic of China (the "PRC") for the six months ended 30 September 2017.

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 2017 ("Interim Financial Information") is presented in thousands of Hong Kong dollar ("HK$"), unless otherwise stated.

This Interim Financial Information has not been audited and was approved by the Board of Directors (the "Board") of the Company for issue on 27 November 2017.

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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 March 2017.

(a) The following amendments to standards are mandatory for the first time for the financial year beginning on or after 1 April 2017. The Group has adopted these amendments to standards which are relevant to its operations, but these amendments have no material impact in the Group's financial statement as at and for the period ended 30 September 2017.

Amendment to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows

(b) 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 operation 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 six months ended 30 September 2016, the Group diversified its business to three main streams (i) cigarette packaging business, (ii) manufacturing and sales of biotechnology products (the "Biotechnology Business") and (iii) 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.

For the six months ended 30 September 2017, the Group diversified its business to two main streams (i) cigarette packaging business and (ii) environmental treatment business.

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

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

Capital expenditures comprise additions to property, plant and equipment.

The segment results and other segment items of the Group for the six months ended 30 September 2017 are as follows:

	Cigarette packaging business *HK$'000*	**Environmental treatment business** *HK$'000*	**Others** *HK$'000*	**Group** *HK$'000*
Revenue	**89,068**	**176**	**16**	**89,260**
Segment results	**21,203**	**(1,233)**	**90**	**20,060**
Other losses — net				**410**
Operating profit				**20,470**
Finance income				**2,209**
Profit before income tax				**22,679**
Income tax expense				**(4,892)**
Profit for the period				**17,787**
Other segment item Depreciation and amortisation	**(2,268)**	**(149)**	**(36)**	**(2,453)**

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*	Others *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 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 assets and liabilities at 30 September 2017 are as follows:

	Cigarette packaging business ***HK$'000***	**Environmental treatment business** ***HK$'000***	**Others** ***HK$'000***	**Inter-segment elimination** ***HK$'000***	**Group** ***HK$'000***
Segment assets	**446,839**	**30,169**	**2,615**	**(103,590)**	**376,033**
Financial assets at fair value through profit or loss					**21,940**
Deferred tax assets					**2,461**
Total assets					**400,434**
Segment liabilities	**132,730**	**24,921**	**15,656**	**(103,590)**	**69,717**
Current income tax liabilities					**9,704**
Deferred tax liabilities					**6,701**
Total liabilities					**86,122**
Capital expenditures	**61**	**311**	**–**	**–**	**372**

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

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

4. REVENUE

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Sales of cigarette packaging products	**89,050**	92,358
Revenue from construction contract	**176**	17,920
Sales of biotechnology products	**–**	1,504
Sales of other products	**34**	108
	89,260	111,890

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 2017 (six months ended 30 September 2016: three):

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Customer A	**66.0%**	58.0%
Customer B	**23.1%**	17.8%
Customer C	**N/A***	15.9%
	89.1%	91.7%

For the six months ended 30 September 2017, all of the Group's revenue were generated from its subsidiaries in the PRC (six months ended 30 September 2016: same).

*Note**:* The revenue of the particular customer was less than 10% of the Group's revenue for the particular period.

5. EXPENSES BY NATURE

	Six months ended 30 September 2017 HK$'000	2016 HK$'000
Cost of inventories sold	**48,169**	50,087
Staff costs (including directors' emoluments)	**10,460**	11,369
Depreciation and amortisation	**2,453**	2,523
Utilities	**1,358**	1,923
Business tax and other taxes	**1,214**	1,464
Transportation expenses	**759**	748
Operating lease expenses	**716**	998
Office expenses	**404**	768
Auditors' remuneration	**200**	200
Travelling expenses	**190**	319
Raw materials consumed and subcontracting cost for construction contract	**–**	11,253
Other expenses	**2,476**	2,562
Total cost of sales, distribution costs and administrative expenses	**68,399**	84,214

6. OTHER LOSSES — NET

	Six months ended 30 September 2017 HK$'000	2016 HK$'000
Foreign exchange (loss)/gain	**(801)**	338
Dividend income from financial assets at fair value through profit or loss	**586**	368
Gain on disposal of financial assets at fair value through profit or loss	**664**	462
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	**(840)**	(2,129)
	(391)	(961)

7. 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 entity in Hong Kong is mainly derived from dividend income from subsidiary, 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, the Group's major operating subsidiary in the PRC was awarded High and New Technology Enterprise Certificate ("Certificate") which is effective for three years commencing on 1 January 2014. The subsidiary is in the process of applying for the Certificate in the next three years, commencing on 1 January 2017.

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	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**3,897**	6,008
Deferred income tax		
— PRC corporate income tax	**(19)**	(272)
— Withholding income tax for profit to be distributed from the PRC	**1,014**	902
	4,892	6,638

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2017 (six months ended 30 September 2016: nil).

8. 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	
	2017	2016
Profit attributable to owners of the Company *(HK$'000)*	**18,515**	21,319
Weighted average numbers of ordinary shares in issue	**339,250,000**	339,250,000
Basic earnings per share	**HK5.46 cents**	HK6.28 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.

	Six months ended 30 September	
	2017	2016
Profit attributable to owners of the Company *(HK$'000)*	**18,515**	21,319
Weighted average numbers of ordinary shares in issue	**339,250,000**	339,250,000
Adjustments for share options	**5,454,000**	5,163,000
Weighted average numbers of ordinary shares for diluted earnings per share	**344,704,000**	344,413,000
Diluted earnings per share	**HK5.37 cents**	HK6.19 cents

9. DIVIDENDS

A final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 March 2017, totalling approximately HK$20,355,000, were paid during the period.

On 27 November 2017, the Board has resolved to declare an interim dividend of HK4.00 cents per share (2016: HK4.00 cents per share), which is payable on or around 29 January 2018 to shareholders who are on the register at 12 January 2018. This interim dividend, amounting to HK$13,570,000 (2016 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 2018.

10. TRADE AND NOTES RECEIVABLES

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Trade receivables	**127,397**	115,953
Less: allowance for impairment of trade receivables	**–**	(407)
	127,397	115,546

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

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Less than 30 days	**83,677**	61,591
31 days to 60 days	**17,667**	35,587
61 days to 90 days	**14,450**	–
91 days to 180 days	**11,509**	18,438
Over 180 days	**94**	337
	127,397	115,953

As at 30 September 2017, trade receivables of HK$11,603,000 (31 March 2017: HK$18,438,000) were past due but not impaired. These relate to four (31 March 2017: three) independent customers for whom there are no financial difficulty and the directors, based on past experience, consider that those amounts can be recovered.

The Group's trade receivables were denominated in RMB as at 30 September 2017 (31 March 2017: same).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Equity securities listed in Hong Kong Stock Market	**11,340**	19,458
Equity securities listed in Shenzhen Stock Market	**10,600**	9,394
	21,940	28,852

The fair values of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges.

12. 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 2016 and 2017, 30 September 2016 and 2017	2,000,000,000	0.01	20,000,000

Ordinary shares, issued and fully paid:	**Number of issued shares**	**Amount** *HK$*
At 1 April 2016 and 2017, 30 September 2016 and 2017	339,250,000	3,392,500

13. TRADE AND NOTES PAYABLE

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Trade payables *(Note (a))*	**26,125**	25,039
Notes payable — bank acceptance notes	**27,678**	46,157
	53,803	71,196

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

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Within 90 days	**25,378**	24,835
90 to 180 days	**455**	204
Over 180 days	**292**	–
	26,125	25,039

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The principal activities of the Group were manufacturing and sales of cigarette package materials and environment treatment business in The People's Republic of China (the "PRC"). For the six months ended 30 September 2017 ("the Reporting Period"), the Group's total revenue reduced from HK$111.89 million to HK$89.26 million, representing a decrease of approximately HK$22.63 million or 20.2%. The decrease in revenue was primarily from change of products mix and the construction stage of project in Chaonan completed in last financial year.

Profit attributable to owner of the Company during the Reporting Period was approximately HK$18.52million, representing an decrease of approximately HK$2.80 million or 13.1% as compared to approximately HK$21.32 million in the corresponding period in 2016.

Business Review

In 2017, sales of the PRC tobacco industry recorded a slight growth after turbulence and uncertainty in the past few years. However, the business environment was still tough. The prices of our products were under pressure because of the keen competition. During the Reporting Period, the Group revenue from manufacturing and sales of cigarette package materials was approximately HK$89.07 million (30 September 2016: HK$92.47 million), representing a decrease of approximately HK$3.40 million or 3.7%.

During the Reporting Period, revenue from environment treatment business was approximately HK$0.18 million which was decreased by approximately HK$17.74 million from HK$17.92 million in the corresponding period in 2016. The decrease was due to the completion of the construction project in March 2017 and the revenue from maintenance work just commenced in late September 2017.

Gross Profit

The overall gross profit of the Group during the Reporting Period was approximately HK$34.46 million, decreased by HK$9.16 million or 21.0% as compared with approximately HK$43.62 million for the corresponding period in 2016.

During the Reporting Period, the Group's gross profit margin for sales of cigarette package materials was approximately 39.1% (30 September 2016: 41.8%). Decrease in profit margin was mainly resulted from change of products mix.

Distribution Costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs during the Reporting Period was approximately HK$0.90 million decreased by approximately HK$0.22 million or 19.6% compared with the corresponding period in 2016 for HK$1.12 million. Distribution costs, including travelling expenses of our staff incurred for the sales and distribution activities, decreased which was resulted from costs saved from Shanghai and Heilongjang office.

Administrative Expenses

Administrative expenses during the Reporting Period was s decreased by approximately HK$2.14 million or 14.4% from approximately HK$14.83 million for the six months ended 30 September 2016 to approximately HK$12.69 million in the Reporting Period. It was mainly resulted from the administrative expenses saved from downsizing the operations in Shanghai and Heilongjiang office and material consumed in research.

Finance Income

Finance income of the Group during the Reporting Period was approximately HK$2.21 million which was increased by approximately HK$0.62 million compared with approximately HK$1.59 million for the corresponding period in 2016. Increase in finance income was mainly resulted from the short-term bond lending business following the uptrend of the securities market in Hong Kong and the PRC.

Income Tax Expense

The Group's income tax expense of the Group for the Reporting Period was approximately HK$4.89 million which was decreased by approximately HK$1.75 million from approximately HK$6.64 million for the corresponding period in 2016. The effective tax rate of the Group was approximately 21.6% for the Reporting Period, which slightly decreased by 1.9% when compared with approximately 23.5% for the same period in 2016. The Group's main operating subsidiary in the PRC is awarded the High and New Technology Enterprises Certificate enjoying a lower enterprise income tax rate at 15%.

Capital structure, liquidity and financial resources

As at 30 September 2017, the Group's total cash and cash equivalents, including restricted cash at banks, amounted to HK$153.99 million, compared to HK$162.33 million as at 31 March 2017. Most of the Group's liquid fund is placed as deposits at various banks.

At 30 September 2017, the Group had current assets of approximately HK$351.89 million, (31 March 2017 HK$359.95 million) and current liabilities of approximately HK$79.42 million (31 March 2017 HK$99.82 million). The current ratio (calculated as current assets to current liabilities) increased from 3.61 at 31 March 2017 to 4.43 as at 30 September 2017.

For the six months ended 30 September 2017, the Group's net cash generated from investing activities and net cash used in operating activities and financing activities amounted to approximately HK$27.63 million, approximately HK$8.60 million and approximately HK$20.36 million respectively. The Group primarily uses cash inflow of operating activities and banking facilities to satisfy the requirement of working capital.

Borrowings and gearing ratio

The Group did not have any borrowing as at 30 September 2017 and 31 March 2017.

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 subsidiaries in the PRC were mainly conducted in Renminbi ("RMB"), the functional currency of the subsidiaries, and the major receivables and payables are denominated in RMB. Accordingly, the Group's exposure to RMB currency risk is insignificant.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately HK$0.37 million, (for the six months ended 30 September 2016: HK$3.72 million) which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 September 2017, the Group had pledged bank deposits amounting to HK$27.47 million (31 March 2017: HK$45.82 million) as collateral for the Group's notes payable.

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

Contingent liability

The Group has no significant contingent liabilities as at 30 September 2017 and 31 March 2017.

Capital commitments

As at 30 September 2017, the Group had capital commitments for the amount of approximately HK$0.06 million (31 March 2017: HK$0.06 million) for acquisition of property, plant and equipment.

FUTURE OUTLOOK

Further destocking from customers has been stabilized during the Reporting Period. However, the competition in cigarette package materials business remained intensive. The Group will exercise cautions in the market to ensure reasonable returns. We will dedicate more efforts to strengthen our relations with existing customers and explore new customers to expand our market share. Besides, we will keep on tight control of its operations in order to maintain the quality of our products and streamline our operations to improve efficiencies and hence the control of costs.

The development stage of the project in Chaonan has been completed in last financial year and the maintenance work just commenced in late September 2017 which will bring us a steady income for the coming three years. Meanwhile, the Company is seeking to bid for other environmental rehabilitation projects in Guangdong province primarily in Chaoshan District.

Manufacturing and sales of cigarette packaging materials is still our core business. The Group will seek for new customers to widen our market share and enhance our operational capabilities and standards. Looking forward, we will explore possible opportunities to expand in investment projects relating not only to cigarette package materials business but also to environmental rehabilitation business with the aim to provide a stable income and growth to the Group's long term performance and also widen the returns to the shareholders of the Company.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

The Group did not have any significant investments or acquisitions or sales of subsidiaries, associates or joint ventures during the period under review. The Group continues to seek opportunities to acquire furniture companies to accelerate the development of the Group.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK4.00 cents (2016: HK4.00 cents) per share. The interim dividend will be paid on 29 January 2018 to shareholders whose names appear on the Register of Members of the Company on 12 January 2018.

CLOSURE OF REGISTERED MEMBERS

The register of members of the Company will be closed from 10 January 2018 to 12 January 2018 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2017. 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 9 January 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2017, 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 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 2017 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.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.

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 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 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 2017.

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 2017. 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, 27 November 2017

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