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 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2018 was HK$111.38 million, increased by approximately HK$22.12 million or 25% as compared with HK$89.26 million for the corresponding period in 2017
- Gross profit for the six months ended 30 September 2018 was HK$41.01 million, increased by approximately HK$6.55 million or 19% as compared with HK$34.46 million for the corresponding period in 2017
- Profit attributable to equity holders for the six months ended 30 September 2018 was HK$23.06 million, increased by approximately HK$4.54 million or 25% as compared with HK$18.52 million for the corresponding period in 2017
- Basic earnings per share for the six months ended 30 September 2018 was HK3.38 cents (six months ended 30 September 2017: HK2.73 cents, as adjusted retrospectively for the Share Subdivision)
- The Board of Directors recommends to declare an interim dividend of HK2.20 cents per share for the six months ended 30 September 2018 (six months ended 30 September 2017: HK4.00 cents per ordinary share before the effect of the Share Subdivision)

The Board of Directors of Huaxi Holdings Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	*3, 4*	**111,383**	89,260
Cost of sales	*5*	**(70,369)**	(54,805)
Gross profit		**41,014**	34,455
Distribution costs	*5*	**(986)**	(902)
Administrative expenses	*5*	**(12,575)**	(12,692)
Other losses — net	*6*	**(3,202)**	(391)
Operating profit		**24,251**	20,470
Finance income		**4,148**	2,209
Profit before income tax		**28,399**	22,679
Income tax expense	*7*	**(6,529)**	(4,892)
Profit for the period		**21,870**	17,787
Profit/(loss) attributable to:			
Owners of the Company		**23,060**	18,515
Non-controlling interests		**(1,190)**	(728)
		21,870	17,787
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Currency translation difference		**(31,042)**	13,602
Other comprehensive income for the period, net of tax		**(31,042)**	13,602
Total comprehensive income for the period		**(9,172)**	31,389
Total comprehensive income attributable to:			
Owners of the Company		**(8,404)**	31,820
Non-controlling interests		**(768)**	(431)
		(9,172)	31,389
Earnings per share attributable to owners of the Company			
— Basic	*8*	**HK3.38 cents**	HK2.73 cents
— Diluted	*8*	**HK3.28 cents**	HK2.69 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Note	**30 September 2018 *HK$'000* (Unaudited)**	31 March 2018 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**37,733**	40,893
Intangible assets		**11,017**	–
Prepaid operating lease		**5,581**	6,212
Deferred tax assets		**3,105**	4,148
Prepaid expenses		**407**	509
Prepayments for non-current assets		**431**	–
		58,274	51,762
Current assets			
Inventories		**36,492**	33,095
Trade and notes receivable	*10*	**92,186**	103,071
Contract assets		**5,747**	–
Amounts due from customer for contract work		**–**	10,493
Prepayments and other receivables	*14*	**31,637**	985
Financial assets at fair value through profit or loss	*12*	**23,128**	30,500
Restricted cash at banks		**46,433**	52,600
Cash and cash equivalents		**161,237**	165,608
		396,860	396,352
Total assets		**455,134**	448,114
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**3,471**	3,393
Other reserves		**208,401**	208,637
Retained earnings		**133,198**	126,102
		345,070	338,132
Non-controlling interests		**(4,923)**	(4,155)
Total equity		**340,147**	333,977

	Note	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**9,412**	8,014
Current liabilities			
Trade and notes payable	*11*	**68,794**	77,393
Other payables and accruals		**12,560**	18,800
Dividends payable		**15,964**	–
Current income tax liabilities		**8,257**	9,930
		105,575	106,123
Total liabilities		**114,987**	114,137
Total equity and liabilities		**455,134**	448,114

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2018 ("the Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 March 2018.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements, except the adoption of new and amended standards and interpretation as described below.

1.1 New and amended standards and interpretations adopted by the Group

Amendments to HKFRS 1	First Time Adoption of HKFRS
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2, the adoption of other new and amended standards and interpretation did not have any material impact on the Interim Financial Information.

1.2 The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Lease	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements	Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The impact of new and amended standards and interpretation above is still under assessment by the Group.

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements and the new accounting policies that have been first applied from 1 April 2018.

2.1 Adoption of HKFRS 9

Impact of adoption

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost. There were no changes to the classification and measurement of financial instruments.

HKFRS 9 requires an impairment on trade and other receivables and contract assets that are not accounted for at fair value through profit or loss to be recorded based on an expected credit loss model either on a 12-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets. The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other receivables.

The Group has reviewed its financial assets and has not identified any significant impact as at 1 April 2018 from the adoption of expected credit loss model.

2.2 Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

Impact of adoption

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, referred to as open contracts, thus the comparative figures have not been restated.

The management has assessed the Group's performance obligations and timing of revenue recognition under HKFRS 15 and has concluded that there is no significant impact of HKFRS 15 on revenue recognition as at and since 1 April 2018, except for the certain reclassification of contract assets and amounts due from customer for contract work.

Contract assets for unbilled work in progress in relation to construction contracts of environmental treatment activities were previously presented as amounts due from customer for contract work.

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 2018 and 30 September 2017, the Group was principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the "**Cigarette Packaging Business**"). Despite the environmental treatment business (the "**Environmental Treatment Business**") amounted to less than 10% of the Group's revenue for both periods, the directors considered that the disclosure of this segment information would still be useful for users of the financial statements to better understand the financial performance of the Group.

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

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

Capital expenditures comprise additions to property, plant and equipment.

The segment results and other segment items of the Group for the six months ended 30 September 2018 are as follows:

	Cigarette Packaging Business *HK$'000*	**Environmental Treatment Business** *HK$'000*	**Group** *HK$'000*
Revenue			
At a point in time	**105,423**	**–**	**105,423**
Over time	**–**	**5,960**	**5,960**
	105,423	**5,960**	**111,383**
Segment results	**28,850**	**(247)**	**28,603**
Other losses — net			**(4,352)**
Operating profit			**24,251**
Finance income			**4,148**
Profit before income tax			**28,399**
Income tax expense			**(6,529)**
Profit for the period			**21,870**
Other segment item			
Depreciation and amortisation	**2,352**	**344**	**2,696**

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*	Group *HK$'000*
Revenue	89,068	192	89,260
Segment results	21,203	(1,143)	20,060
Other gains — 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	185	2,453

The segment assets and liabilities at 30 September 2018 are as follows:

	Cigarette Packaging Business *HK$'000*	**Environmental Treatment Business** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Group** *HK$'000*
Segment assets	**443,805**	**50,859**	**(65,763)**	**428,901**
Financial assets at fair value through profit or loss				**23,128**
Deferred tax assets				**3,105**
Total assets				**455,134**
Segment liabilities	**96,348**	**66,733**	**(65,763)**	**97,318**
Current income tax liabilities				**8,257**
Deferred tax liabilities				**9,412**
Total liabilities				**114,987**
Capital expenditures	**384**	**8**	**–**	**392**

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

	Cigarette Packaging Business *HK$'000*	Environmental Treatment Business *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000*
Segment assets	422,128	21,605	(30,267)	413,466
Financial assets at fair value through profit or loss				30,500
Deferred tax assets				4,148
Total assets				448,114
Segment liabilities	95,731	30,729	(30,267)	96,193
Current income tax liabilities				9,930
Deferred tax liabilities				8,014
Total liabilities				114,137
Capital expenditures	936	322	–	1,258

4. REVENUE

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Sales of cigarette packaging products	**105,423**	89,050
Revenue from construction services	**5,960**	176
Others	**–**	34
	111,383	89,260

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 2018 (six months ended 30 September 2017: same):

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Customer A	**65.0%**	66.0%
Customer B	**24.8%**	23.1%
	89.8%	89.1%

For the six months ended 30 September 2018, all of the Group's revenue were generated from its subsidiaries in the PRC (six months ended 30 September 2017: same).

5. EXPENSES BY NATURE

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Cost of inventories sold	**59,066**	48,169
Staff costs (including directors' emoluments)	**11,108**	10,460
Depreciation and amortisation	**2,696**	2,453
Raw materials consumed and subcontracting costs for construction contract	**2,346**	–
Utilities	**2,469**	1,358
Business tax and other taxes	**1,139**	1,214
Transportation expenses	**940**	759
Operating lease expenses	**718**	716
Office expenses	**220**	404
Auditors' remuneration	**190**	200
Travelling expenses	**165**	190
Other expenses	**2,873**	2,476
Total cost of sales, distribution costs and administrative expenses	**83,930**	68,399

6. OTHER LOSSES — NET

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Foreign exchange gains/losses	**1,150**	(801)
Dividend income from financial assets at fair value through profit or loss	**573**	586
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(970)**	664
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	**(3,955)**	(840)
	(3,202)	(391)

7. INCOME TAX EXPENSE

	Six months ended 30 September 2018 HK$'000	2017 HK$'000
Current income tax		
— PRC enterprise income tax	**3,983**	3,897
Deferred income tax		
— PRC enterprise income tax	**1,193**	(19)
— Withholding income tax for profit to be distributed from the PRC	**1,353**	1,014
	6,529	4,892

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

8. EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for each period ended 30 September have been retrospectively adjusted for the Share Subdivision (as defined in Note 13).

(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 2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**23,060**	18,515
Weighted average number of ordinary shares in issue	**681,991,000**	678,500,000
Basic earnings per share	**HK3.38 cents**	HK2.73 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	
	2018	2017
Profit attributable to owners of the Company *(HK$'000)*	**23,060**	18,515
Weighted average numbers of ordinary shares in issue	**681,991,000**	678,500,000
Adjustments for share options	**20,285,000**	10,714,000
Weighted average number of ordinary shares for diluted earnings per share	**702,276,000**	689,214,000
Diluted earnings per share	**HK3.28 cents**	HK2.69 cents

9. DIVIDENDS

A final dividend of HK2.30 cents per ordinary share for the year ended 31 March 2018 (2017: HK6.00 cents per ordinary share before the effect of the Share Subdivision as defined in Note 13), totalling approximately HK$15,964,000 (2017: HK$20,355,000), was yet to be paid.

On 23 November 2018, the Board has resolved to declare an interim dividend of HK2.20 cents per ordinary share (30 September 2017: HK4.00 cents per ordinary share before the effect of the Share Subdivision), which is payable on or around 20 December 2018 to shareholders who are on the register at 12 December 2018. This interim dividend, amounting to HK$15,270,000 (2017: HK$13,570,000), has not been recognised as a liability in this Interim Financial Information. It will be recognised in financial statements for the year ending 31 March 2019.

10. TRADE AND NOTES RECEIVABLE

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
Trade receivables	**91,806**	103,277
Note receivables	**568**	–
Less: allowance for impairment of trade receivables	**(188)**	(206)
	92,186	103,071

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

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
Less than 30 days	**71,092**	76,986
31 days to 60 days	**15,778**	19,086
61 days to 90 days	**4,410**	–
91 days to 180 days	**338**	6,999
Over 180 days	**188**	206
	91,806	103,277

As at 30 September 2018, trade receivables of HK$338,000 (31 March 2018: HK$6,999,000) were past due but not impaired.

(b) As at 30 September 2018, trade receivables of HK$188,000 (31 March 2018: HK$206,000) were past due and fully impaired. The ageing of these receivables is as follows:

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
Over 180 days	**188**	206

(c) The Group's trade receivables were denominated in RMB as at 30 September 2018 (31 March 2018: same).

11. TRADE AND NOTES PAYABLE

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Trade payables *(Note (a))*	**21,990**	24,405
Notes payable — bank acceptance notes	**46,804**	52,988
	68,794	77,393

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

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Within 90 days	**20,478**	18,622
90 to 180 days	**1,343**	5,783
Over 180 days	**169**	–
	21,990	24,405

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Listed securities — held for trading		
— Equity securities — denominated in HK$	**9,765**	10,658
— Equity securities — denominated in RMB	**13,363**	19,842
	23,128	30,500

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

13. SHARE CAPITAL

Authorised share capital	**Number of ordinary shares**	**Equivalent nominal value of ordinary shares** *HK$*
At 1 April 2017	2,000,000,000	20,000,000
Effect of Share Subdivision *(Note a)*	2,000,000,000	–
At 31 March 2018 and 30 September 2018	4,000,000,000	20,000,000

Ordinary shares, issued and fully paid	Number of issued shares	Amount
		HK$
At 1 April 2017	339,250,000	3,392,500
Effect of the Share Subdivision *(Note a)*	339,250,000	–
At 31 March 2018	678,500,000	3,392,500
Effect of the issue of Consideration Shares *(Note 15)*	15,580,000	77,900
At 30 September 2018	694,080,000	3,470,400

Note:

(a) The nominal value of the ordinary shares of the Company was initially at HK$0.01 per share. With effect from 25 January 2018, each of the then existing issued and unissued share of the Company was subdivided into two subdivided shares of HK$0.005 each, after a resolution was passed at the extraordinary general meeting of the Company held on 24 January 2018 and with an approval obtained from the Stock Exchange (the "**Share Subdivision**"). Upon the Share Subdivision became effective, the authorised share capital of the Company became HK$20,000,000, divided into 4,000,000,000 shares of HK$0.005 each. The other rights and terms of the shares remained unchanged as at 31 March 2018 (1 April 2017: 2,000,000,000 shares at HK$0.01 per share, which are the numbers before the effect of the Share Subdivision).

Consequently, the total number of issued ordinary shares of the Company was doubled upon the effect of the Share Subdivision.

14. PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
Non-current:		
Prepayments for non-current assets	**431**	–
Prepaid expenses	**407**	509
Current:		
Advance to suppliers and services providers	**749**	–
Other prepayments	**635**	243
Loans to third parties (b)	**28,409**	–
Other receivables	**1,844**	1,060
Less: allowance for impairment of other receivables	**–**	(318)
	31,637	985

(a) The carrying amounts of the Group's prepayments and other receivables in current portion were denominated in the following currencies:

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Denominated in RMB	**1,844**	661
Denominated in HK$	**–**	399
	1,844	1,060

(b) Loans to third parties were amounted to HK$28,409,000 as at 30 September 2018 (31 March 2018: nil). The effective interest rate on those loans was 18% (31 March 2018: nil) per annum.

15. BUSINESS COMBINATION

The Group acquired 100% equity interests in Huge East Investment Limited, a Hong Kong incorporated company, together with its PRC subsidiary named Shantou Hongdong Environmental Treatment Company (together, the "**Acquiree**") from an independent third party. The acquisition was completed on 21 August 2018.

The Acquiree has been principally engaged in the Environmental Treatment Business and the acquisition will expand the Group's business, broaden its revenue streams and bring greater return to the Shareholders.

The following table summarises the consideration paid for the Acquiree, the fair value of the assets acquired and liabilities assumed at 21 August 2018.

	HK$'000
Total consideration, paid by issue of shares	31,160

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Fair value *HK$'000*
Property, plant and equipment	1,675
Intangible assets	11,251
Cash and cash equivalents	5,790
Trade receivables	12,459
Prepayments and other receivables	1,823
Contract assets	5,653
Other payables and accruals	(5,943)
Deferred tax liabilities	(1,548)
Net identifiable assets acquired	31,160

The consideration of HK$31,160,000 was paid by issue of ordinary shares of 15,580,000 shares at the price of HK$2.00 per share to the then shareholder of the Acquiree (the "**Issue of Consideration Shares**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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**"). In 2018, the performance of China tobacco and cigarette business was slightly improved. Sales and production of volume of cigarette recorded a single digit growth. The cigarette manufacturers' policy ended and the demand for stock replenishment is expected to resume normal.

The Clean Water Action Plan (水十條) gives rise to national investments of RMB4.6 trillion in environmental industry. The scope of water pollution control in the PRC has been expanding, and the emphasis includes the treatment of black odor water, urban sewage, rural sewage and highly-concentrated refractory wastewater in industrial wastewater. The government will put more effort to strengthen regulation on environmental protection and increase of investment in environmental protection industry, there will be huge room for market growth in the future. On 21 August 2018, the Group has completed the acquisition of Huge East Investment Limited ("**Huge East**"). The wholly owned subsidiary of Huge East in the PRC Company is principally engaged in environmental treatment business, including but not limited to sewage treatment and river ecosystem restoration. The Group has expanded its environmental protection business and consolidated its market position and presence in the PRC.

Results

For the six months ended 30 September 2018 (the "**Reporting Period**"), the Group's total revenue was HK$111.38 million (30 September 2017: HK$89.26 million) and the profit attributable to owners of the Company amounting to approximately 23.06 million (30 September 2017: HK$18.52 million) and basic earnings per share of approximately HK3.38 cents (30 September 2017: HK2.73 cents retrospectively adjusted for the Share Subdivision). The Board recommend the payment of an interim dividend of HK2.20 cents per share for the Reporting Period (30 September 2017: HK4.00 cents per ordinary share before the effect of the Share Subdivision).

Revenue

During the Reporting Period, the cigarette packaging materials business recorded a revenue of approximately HK$105.42 million (six months ended 30 September 2017: HK$89.07 million), representing an increase of approximately HK$16.35 million or 18% as compared with the corresponding period in 2017. The environmental treatment business recorded a revenue of approximately HK$5.96 million (six months ended 30 September 2017: HK$0.19 million), which represents an increase of approximately HK$5.77 million as compared with the corresponding period in 2017. The increase in revenue from environmental treatment business was mainly attributable to the revenue from Huge East and its subsidiary in PRC.

Gross Profit

The overall gross profit of the Group during the Reporting Period was approximately HK$41.01 million, (30 September 2017: HK$34.46 million) representing an increase by HK6.55 million or 19% which was in line with increase in revenue, as compared with the corresponding period in 2017.

During the Reporting Period, the Group's gross profit margin for sales of cigarette package materials was approximately 37.7% (30 September 2017: 39.1%) representing a decrease of 1.4 percentage points over the same period of 2017. Decrease in profit margin was mainly resulted from the pressure from our customers and the increase in costs of raw materials.

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$0.99 million (30 September 2017: HK$0.90 million) representing an increase of approximately HK$0.09 million or 10% as compared with the corresponding period in 2017. Distribution costs, including travelling expenses of our staff incurred for the sales and distribution activities, were increased in line with the increase in sale volume.

Administrative Expenses

The Group's administrative expenses during the Reporting Period was approximately HK$12.58 million (30 September 2017: HK$12.69 million) representing a slight decrease of HK$0.11 million or 0.9% as compared with the corresponding period in 2017. It was mainly resulted from strengthening the control in the Group's administrative expenses.

Other Losses — Net

During the Reporting Period, the total other losses — net, comprised the changes and disposal of financial assets at fair value through profit and loss and gains or losses from fluctuation of foreign exchange, was HK$3.20 million (30 September 2017: HK$0.39 million). The Group recorded a loss in disposal and changes in financial assets at fair value through profit and loss in the Reporting Period was HK$4.35 million because of the unfavourable condition in the securities market, as compared with a gain of 0.41 million in the corresponding period in 2017. The Group also recorded a gain of HK$1.15 million from foreign exchange (30 September 2017: losses of HK$0.80 million) which were resulted from the fluctuation of Renminbi against Hong Kong dollars over the Reporting Period.

Finance Income

Finance income of the Group during the Reporting Period was approximately HK$4.15 million (30 September 2017: HK$2.21 million) representing an increase of HK$1.94 million as compared with the corresponding period in 2017. Increase in finance income was mainly resulted from the interest income of loans to independent third parties.

Income Tax Expense

The Group's income tax expense of the Group for the Reporting Period was approximately HK$6.53 million (30 September 2017: HK$4.89 million) which was increased by approximately HK$1.64 million as compared with corresponding period in 2017. The effective tax rate of the Group was approximately 22.2% for the Reporting Period, which was slightly increased by 0.6% when compared with approximately 21.6% for the same period in 2017. 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 2018, the Group's total cash and cash equivalents amounted to HK$207.67 million, (31 March 2018: HK$218.21 million), including restricted cash at banks HK$46.43 million, (31 March 2018: HK$52.60 million) as at 31 March 2018. Most of the Group's cash and cash equivalents are placed as deposits at various banks.

At 30 September 2018, the Group had current assets of approximately HK$396.86 million, (31 March 2018: HK$396.35 million) and current liabilities of approximately HK$105.58 million (31 March 2018: HK$106.12 million). The current ratio (calculated as current assets to current liabilities) increased from 3.73 at 31 March 2018 to 3.76 as at 30 September 2018.

For the six months ended 30 September 2018, the Group's net cash generated from operating activities and investing activities amounted to approximately HK$5.00 million and approximately HK$15.21 million respectively. The Group primarily uses cash inflow of operating activities to satisfy the requirement of working capital.

Borrowings and Gearing Ratio

The Group did not have any borrowing as at 30 September 2018 and 31 March 2018.

Prepayments and Other Receivables

As at 30 September 2018, the Group's total prepayments and other receivables, representing the advances to suppliers and services providers and loans to independent third parties, amount to HK$31.64 million (31 March 2018: HK$0.99 million). Increase in other receivable was mainly attributable to the interest bearing loans to more than one independent third party during the Reporting Period (Note 14).

Financial Assets at Fair Value through Profit or Loss

The Group adopted a prudent attitude in its securities investment. The management takes into account of risk exposure in comparison with the Group's risk tolerance level at the prevailing time and the potential for return on investment in terms of capital appreciation and dividend payment when determining whether to take up an investment opportunity for the cash held by the Group. The fair values of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges. During the Reporting Period, the net losses from listed securities was approximately HK$4.35 million (30 September 2017: gains of HK$0.41 million) including the unrealised loss on changes in fair value for HK$3.96 million (30 September 2017: HK$0.84 million). The management invests in these shares expecting the price will be stable and gradually increase in line with the upward trend of the global financial market.

Financial assets at FVTPL/held-for-trading investments

	Fair value carrying amount *(Note 1)*	
	30 September 2018 ***HK$ '000***	31 March 2018 *HK$ '000*
Equity securities listed in Hong Kong		
CNG Power (01816)	**9,765**	10,658
Equity listed in the PRC		
Guangdong Liantai (聯泰環保 603797)	**9,588**	13,814
Other listed equity securities *(Note 2)*	**3,775**	6,028
	23,128	30,500

Notes:

(1) Fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities

(2) Other listed equity securities comprised 5 equity securities in the PRC (31 March 2018: 4)

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 was mainly conducted in Renminbi ("RMB"), the functional currency of the subsidiary, 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$0.39 million, (30 September 2017: HK$0.37 million) which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 September 2018, the Group had pledged bank deposits amounting to HK$46.43 million (31 March 2018: HK$52.60 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 2018 and 31 March 2018.

Capital commitments

As at 30 September 2018, the Group had capital commitments for the amount of approximately HK$0.70 million (31 March 2018: HK$0.29 million for acquisition of property, plant and equipment.

FUTURE OUTLOOK

Looking ahead, the Group keeps reviewing on its cigarette packaging business to determine future directions. The Group will continue to strengthen its position in this market and also remain cost conscious through stringent cost control measures in order to improve our performance. Meanwhile, the new member of the Group, Huge East, will strive to bid for new sewage treatment projects. On the other hand, we will proactively seek business opportunities that will contribute and sustain the Group's future development on generating better return to shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed 350 staff at market remunerations with staff benefits including salaries, overtime payment and discretionary bonus, share options, other staff benefits and contributions to retirement schemes. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director or executive is involved in dealing his own remuneration.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

On 10 August 2018, a wholly owned subsidiary of the Company, China Environmental Holdings Limited, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in Huge East. For further details, please refer to the announcements of the Company dated 10 August 2018 and on 21 August 2018. Saved as disclosed above in this announcement, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the Reporting Period.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK2.20 cents per share (30 September 2017: HK4.00 cents per ordinary share before the effect of the Share Subdivision). The interim dividend will be paid on or around 20 December 2018 to shareholders whose names appear on the Register of Members of the Company on 12 December 2018.

CLOSURE OF REGISTERED MEMBERS

The register of members of the Company will be closed from 10 December 2018 to 12 December 2018 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2018. 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 7 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2018, 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 2018 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.2.1

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

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

Code Provision A.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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in information of Directors subsequent to the date of Annual Report 2018.

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 2018.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Lau Kwok Hung (Chairman), Mr. Fok Po Tin and Mr. Ma Wenming. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2018 and the 2018 Interim Report.

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, 23 November 2018

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