



**INTERIM REPORT 2013**

**HUAXI HOLDINGS COMPANY LIMITED**

**華禧控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1689

# CONTENTS

|   |    |
|---|----|
| Corporate Information   | 2  |
| Chairman's Statement  | 3  |
| Management Discussion and Analysis                                | 4  |
| Other Information   | 9  |
| Condensed Consolidated Statement of Comprehensive Income          | 13 |
| Condensed Consolidated Statement of Financial Position            | 14 |
| Condensed Consolidated Statement of Changes in Equity             | 16 |
| Condensed Consolidated Statement of Cash Flows                    | 17 |
| Notes to the Condensed Consolidated Interim Financial Information | 18 |

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Zheng Andy Yi Sheng  
*(Chairman of the Board of Directors  
and Chief Executive Officer)*  
Mr. Zheng Minsheng

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Wenming  
Mr. Lau Kwok Hung  
Mr. Fok Po Tin

## COMPANY SECRETARY

Mr. Yu Wing Cheung

## AUDIT COMMITTEE

Mr. Lau Kwok Hung *(Chairman)*  
Mr. Ma Wenming  
Mr. Fok Po Tin

## REMUNERATION COMMITTEE

Mr. Lau Kwok Hung *(Chairman)*  
Mr. Ma Wenming  
Mr. Fok Po Tin

## NOMINATION COMMITTEE

Mr. Zheng Andy Yi Sheng *(Chairman)*  
Mr. Lau Kwok Hung  
Mr. Fok Po Tin

## CORPORATE GOVERNANCE COMMITTEE

Mr. Zheng Andy Yi Sheng *(Chairman)*  
Mr. Zheng Minsheng  
Mr. Lau Kwok Hung

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 4, Wanji North Street  
Wanji Industrial District  
Shantou City  
Guangdong Province  
PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.  
Clifton House  
P. O. Box 1350  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services  
Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKS

Bank of China  
Bank of Communications  
China Minsheng Banking Corp. Ltd.  
Industrial and Commercial Bank of China

## AUDITOR

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

## WEBSITE

[www.huaxihds.com.hk](http://www.huaxihds.com.hk)

# CHAIRMAN'S STATEMENT

To our shareholders,

On behalf of the board of directors (the "Board") of Huaxi Holdings Company Limited (the "Company", together with its subsidiaries, the "Group" or "we"), I am pleased to present the first interim report of the Group since the listing of the shares of the Company (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 December 2013 (the "Listing").

The Listing marks a significant milestone in the history of the Group's operations, which introduces new opportunities for our future development. We are principally engaged in the manufacture and sale of cigarette-related packaging materials in the People's Republic of China (the "PRC"). Our products include cigarette box frame paper, cigarette trademark labels, tipping paper, inner frame paper of different specifications and cigarette paper boxes, which are supplied to Shanghai Tobacco Group Co. Ltd., China Tobacco Guangdong Industrial Co., Ltd. and other cigarette manufacturers. Leveraging on our strict quality control, experienced management team, consistent product quality and excellent services, we have established long-term and fruitful business relationship with those cigarette manufacturers. Upon the Listing, the Group is confident that we would be able to further strengthen our position in the industry of cigarette-related packaging materials in the PRC.

As one of the world's most resilient economies, the PRC's population enjoys increasing disposable income under its fast economic growth, which constitutes a solid consumer base with rising purchasing power. Along with the rising disposal income per-capita of consumers and inflation rate in the PRC, the people's willingness to spend will increase for better living standard. In addition, the PRC has the largest smoking population in the world, amounted to approximately 300 million people in 2012. In light of such a huge base of smokers and the surging demand for cigarettes, the cigarette market in the PRC is expected to have a bright prospect.

## PROSPECTS

The quality of packaging materials has always been the most crucial factor for competition in the industry, and the quality of products is also highly emphasized by cigarette manufacturers. With the expertise and experience of our professional management team, our products have successfully won recognition and trust of our clients, with whom we are able to maintain close relationship. The Group's business strategies focus on the development in the manufacture and sale of tipping paper and cigarette trademark labels. We plan to further broaden our customer base by reaching to our existing and potential customers through sales and marketing activities. On the other hand, the Group will identify suitable targets for acquisition, by which we will expand our market share and thus enhance our position in the industry of cigarette-related packaging materials in the PRC. Our Directors are optimistic about the future development, and confident that the Group will go from strength to strength in the coming years and establish our market presence in the industry of cigarette-related packaging materials.

On behalf of the Board, I would like to express my sincere gratitude to all of our shareholders, investors and customers for their unrelenting support. Our management team and all of our staff will make every effort in achieving greater results for the Company and generating more satisfactory returns for our investors and shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY AND BUSINESS REVIEW

The PRC has the largest smoking population in the world, according to National Bureau of Statistics of the PRC, which reached approximately 300 million in 2012. The cigarette production is expected to grow steadily. To accommodate cigarette products, cigarette-related packaging materials industry is an up-stream industry. And the PRC's cigarette production is expected to reach approximately 2,864 billion sticks in 2017, with a CAGR of approximately 2.9% between 2008 and 2017.

In 2009, the State Tobacco Monopoly Administration (中國國家煙草專賣局) (the "STMA") issued "Proposal on Accelerating Cultivation of National Key Brands (關於加快培育全國性重點骨幹品牌的指導意見)" to focus on developing tier one to three cigarette brands from the "20+10" Key Brands. Being an approved supplier of these key cigarette brands, the Group is well positioned to capture the rapidly growing cigarette-related packaging market in the PRC.

The Group is principally engaged in the manufacture and sale of cigarette-related packaging materials in the PRC. Major customers of the Group are top cigarette manufacturers and their cigarette brands which were ranked among "20+10" Key Brands as designated by STMA. The Group is the fourth largest manufacturer in the cigarette-related packaging materials market of Guangdong Province.

To improve a strong profitability, the Group strategically developed its business in the manufacture and sale of products with higher profit margins, such as tipping paper and cigarette trademark labels.

During the six months ended 30 September 2013, the Group has successfully managed the challenge of the postponement of purchases from certain cigarette manufacturers in the first quarter and has put every effort to recover the sales orders and maintain stable sales prices in the second quarter of the period, which lead to our results for the six months ended 30 September 2013 remained at the comparable level of the corresponding period in 2012.

## OUTLOOK

With the successful Listing, the Group expects that it will continue to establish its market presence in the cigarette-related packaging materials industry. As disclosed in the prospectus of the Company in connection with the Listing dated 26 November 2013 (the "Prospectus"), we will: –

- (i) continue to enhance our market position in the cigarette-related packaging materials industry in the PRC;
- (ii) continue to implement quality control to maintain quality of the products;
- (iii) enhance the type of products and diversify the current product portfolio, with emphasis being put on higher margin products;
- (iv) continue to strengthen our relationship with various suppliers so as to ensure stable supply of raw materials at reasonable price; and
- (v) identify appropriate acquisition targets that have long term and good relationships with other tobacco manufacturers.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE

#### Revenue

The following table sets forth the breakdown of the Group's revenue by product category for the six months ended 30 September 2013 and 2012:

|                            | Six months ended 30 September |               |                         |               |
|----------------------------|-------------------------------|---------------|-------------------------|---------------|
|                            | 2013                          |               | 2012                    |               |
|                            | HK\$'000<br>(unaudited)       | %             | HK\$'000<br>(unaudited) | %             |
| Inner frame paper          | 73,010                        | 56.6%         | 85,115                  | 61.6%         |
| Tipping paper              | 31,440                        | 24.3%         | 29,882                  | 21.6%         |
| Cigarette box frame paper  | 15,903                        | 12.3%         | 10,948                  | 7.9%          |
| Cigarette trademark labels | 7,127                         | 5.5%          | 9,598                   | 6.9%          |
| Cigarette paper boxes      | 1,468                         | 1.1%          | 2,750                   | 2.0%          |
| Others                     | 207                           | 0.2%          | –                       | 0.0%          |
|                            | <b>129,155</b>                | <b>100.0%</b> | <b>138,293</b>          | <b>100.0%</b> |

For the six months ended 30 September 2013, the Group's revenue was approximately HK\$129.2 million, which represented a decrease of approximately HK\$9.1 million or approximately 6.6% as compared with the same period in 2012. Such decrease was mainly due to the decrease in sales of inner frame paper, which decreased by approximately HK\$12.1 million or approximately 14.2%.

The decrease in revenue for the six months ended 30 September 2013 as compared to the corresponding period of 2012 was mainly due to the postponement of the purchase made by certain customers from the first half of 2013 to the second half of the same year. Such postponement of purchases was mainly due to adjustments of internal production schedules of the consumers.

As far as we are aware, commencing from the beginning of 2013, certain customers have adjusted their respective production schedules to the effect that (i) in the first half of 2013, they reduced the production of finished goods which would be sold in the second half of 2013 and (ii) they proceeded to produce those finished goods in the second half of 2013 instead. The abovementioned adjustment of production arrangement is for better inventory management of the cigarette manufacturers and according to our understanding, this policy also applied to other Provincial Tobacco Industrial Companies.

Revenue from tipping paper increased from approximately HK\$29.9 million for the six months ended 30 September 2012 to approximately HK\$31.4 million for the six months ended 30 September 2013.

Revenue from cigarette box frame paper increased from approximately HK\$10.9 million for the six months ended 30 September 2012 to approximately HK\$15.9 million for the six months ended 30 September 2013 as a result of increase in sales orders.

### FINANCIAL PERFORMANCE *(continued)*

#### Gross profit and gross profit margin

Gross profit of the Group increased by approximately 35.4% from approximately HK\$34.0 million for the six months ended 30 September 2012 to approximately HK\$46.1 million for the six months ended 30 September 2013. The Group's gross profit margin was approximately 35.7% for the six months ended 30 September 2013, representing an increase of approximately 11.1% when compared to 24.6% for the same period in 2012. The increase in gross profit margin of the Group was mainly attributable to the decrease in the cost of raw materials, which in turn, was mainly caused by (i) the change of product mix; (ii) the decrease of purchase price of base paper; and (iii) the effect of cost saving in production activities in which we consider is due to, among others, our stringent cost control on production.

#### Distribution costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs decreased by approximately HK\$0.7 million or approximately 43.2% from approximately HK\$1.6 million for the six months ended 30 September 2012 to approximately HK\$0.9 million for the same period in 2013. The decrease was primarily due to (i) the sales to long distance customers decreased as compared with the six months ended 30 September 2012; (ii) relative taxation deductible rate has increased from 7% to 11% from 1 November 2012 in Guangdong Province, which in turn caused the saving of transportation expenses.

#### Administrative expenses

Administrative expenses increased by approximately HK\$10.4 million or approximately 299.8% from approximately HK\$3.5 million for the six months ended 30 September 2012 to approximately HK\$13.9 million for the six months ended 30 September 2013. The increase was mainly due to (i) the listing expenses amounted to approximately HK\$7.4 million; and (ii) the research and development expenditures increased by approximately HK\$2.4 million for the period.

#### Finance income

Finance income of the Group increased from approximately HK\$0.9 million for the six months ended 30 September 2012 to approximately HK\$1.1 million for the six months ended 30 September 2013. The increase was arising from the average balance increase in bank deposits of the Group during the period.

#### Income tax expense

The Group's income tax expense increased by approximately HK\$1.8 million from approximately HK\$5.7 million for the six months ended 30 September 2012 to approximately HK\$7.5 million for the six months ended 30 September 2013. The effective tax rate of the Group was approximately 23.3% for the six months ended 30 September 2013, which increased by approximately 4.1% when compared with approximately 19.2% for the same period in 2012. The increase was attributable to the non-deductible listing expenses during the period.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group generally funds its operations through internally generated cash flows from operations and borrowings from financial institutions whenever necessary. Based on our current and anticipated levels of operations, barring unforeseen market conditions, our future operations and capital requirements following the Listing will be financed through the net proceeds from the Listing, retained earnings and cash flows from operations.

The Group's financial position as at 30 September 2013 remained healthy with net assets value of HK\$150.3 million (31 March 2013: HK\$149.8 million). The Group continued to record a strong cash inflow generated from operating activities. For the six months period ended 30 September 2013, net cash generated from operating activities was HK\$26.4 million, which increased by HK\$5.8 million compared with the corresponding period in 2012.

As of 30 September 2013, the Group had cash and bank deposits totalling HK\$102.4 million (as at 31 March 2013: HK\$96.4 million).

The Group had no external borrowings as of 30 September 2013 and 31 March 2013, respectively.

The Directors believe that the Group is able to meet its operational and capital expenditures and requirements.

### Reorganisation

In preparing for the Listing, the Group undertook a corporate reorganisation, the details of which were set out in the section headed "History, reorganisation and corporate structure" in the Prospectus. On 5 September 2013, the Company completed the corporate reorganisation, pursuant to which the Company became the holding company of the Group.

### Charges on assets

As of 30 September 2013, the Group had pledged bank deposits amounting to HK\$47.7 million for issuance of bank acceptant notes.

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### HUMAN RESOURCES AND TRAINING

As of 30 September 2013, the Group employed 246 employees. Remuneration packages including those of Directors are generally structured by reference to market benchmarks, individual qualifications, experience, duties and responsibilities. Remuneration is reviewed periodically based on individual staff's performance. In addition to the basic salaries, staff benefits include discretionary bonus, social welfare insurance and contributory provident fund. The Group also has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company. The Group also provide on-the-job training to our staff with reference to their respective duties in order to ensure that they are familiar with the tasks assigned to them.

### SUBSEQUENT EVENT

The shares of the Company were listed on the Stock Exchange on 6 December 2013 (the "Listing Date"), under which a total of 60,000,000 shares were issued at the offer price of HK\$1.35 per share.

### SPECIAL DIVIDEND

During the six months ended 30 September 2013 and prior to the Listing of the Company's shares on the Stock Exchange, the Company declared special dividends totalling HK\$35,975,000 to its shareholder.

### INTERIM DIVIDEND

The Board of Directors does not recommend payment of any further dividend for the six months ended 30 September 2013.

# OTHER INFORMATION

## INFORMATION ON SHARE OPTION SCHEME

Pursuant to the shareholder's resolutions of the Company on 14 November 2013, the Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who will contribute and had contributed to the success of the Group's operations. No options were granted, exercised, cancelled or lapsed and there were no outstanding options under the Share Option Scheme from the date of its adoption to the date of this report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix V to the Prospectus.

## DISCLOSURE OF INTERESTS IN SECURITIES

### Directors' interests and short positions in Shares and underlying shares of the Company

As at the Listing Date, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

#### Long and short positions in the shares of the Company

| Name of Director                         | Capacity/Nature  | No. of shares held <sup>(2)</sup> | Percentage of interest <sup>(3)</sup> |
|--|--|-----------------------------------|---------------------------------------|
| Mr. Zheng Andy Yi Sheng<br>("Mr. Zheng") | Interest held by a controlled corporation <sup>(1)</sup> | 225,000,000 (L)                   | 75.00%                                |
|  |  | 11,250,000 (S)                    | 3.75%                                 |

Note:

- (1) Mr. Zheng beneficially owns the entire share capital of SXD Limited. Therefore, Mr. Zheng is deemed, or taken to be, interested in all Shares held by and all short positions in Shares of SXD Limited for the purposes of SFO.
- (2) The letter "L" and "S" denote the person's long and short positions in the shares of the Company.
- (3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the Listing Date.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS IN SECURITIES *(continued)*

#### Directors' interests and short positions in Shares and underlying shares of the Company *(continued)*

Save as disclosed above and in the above section headed "Information on share option scheme", as at the Listing Date, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Listing Date, the following persons had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### Long and short positions in the shares of the Company

| Name of shareholders              | Nature of interest                                  | Number of Shares <sup>(1)</sup> | Approximately shareholding percentage in the Company (%) <sup>(2)</sup> |
|-----------------------------------|---|---------------------------------|---|
| Mr. Zheng                         | Interest in a controlled corporation <sup>(3)</sup> | 225,000,000 (L)                 | 75.00%  |
|                                   |   | 11,250,000 (S)                  | 3.75%   |
| Ms. Chen Annie Ni<br>("Ms. Chen") | Interest of spouse <sup>(4)</sup>                   | 225,000,000 (L)                 | 75.00%  |
|                                   |   | 11,250,000 (S)                  | 3.75%   |

Note:

- (1) The letter "L" and "S" denote a person's "long position" and "short position" respectively in such Shares.
- (2) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at the Listing Date.
- (3) Mr. Zheng beneficially owns the entire share capital of SXD Limited. Therefore, Mr. Zheng is deemed, or taken to be, interested in all Shares held by and all short positions in Shares of SXD Limited for the purposes of SFO.
- (4) Ms. Chen is the spouse of Mr. Zheng. Accordingly, Ms. Chen is deemed, or taken to be, interested in all Shares held by and all short positions in Shares of Mr. Zheng is interested in for the purposes of SFO.

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS IN SECURITIES *(continued)*

#### Directors' interests and short positions in Shares and underlying shares of the Company *(continued)*

Save as disclosed above, as at the Listing Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as the issue of our Company's new shares on the Stock Exchange on 6 December 2013, neither of the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the period from the listing date and up to the date of this report.

### CORPORATE GOVERNANCE

As the shares of our Company had not yet been listed on the Stock Exchange as at 30 September 2013, the Corporate Governance Code under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "CG Code") was not applicable to our Company during the six months ended 30 September 2013.

The Company's corporate governance practices have complied with all the code provisions as set out in the CG Code with the exception of certain deviations to be discussed below.

Pursuant to code provision A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Board believes that it is more effective for the titles "Chairman" and "Chief Executive Officer" be vested in one person based on the Company's ongoing business practice and experience. The Board is of the view that it is in the interest of the Company to have the benefit of a chairman who is knowledgeable about the business of the Group.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive directors of the Company are not appointed for a specific term. They are, however, subject to the requirement of retirement and re-election at the annual general meeting of the Company, in accordance with the relevant provisions of the Company's Memorandum and Article of Association.

## OTHER INFORMATION

### **CORPORATE GOVERNANCE** *(continued)*

The Board and management of the Group are committed to maintaining a high standard of corporate governance and striving for a transparent, responsible and value-driven management focused on enhancing and safeguarding shareholder value and interest. The Board continuously reviews, with a view to improving, the Group's corporate governance practices and maintaining its ethical corporate culture.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

For the six months ended 30 September 2013, our Company's shares had not been listed on the Stock Exchange. Thus, the provisions under the Listing Rules in relation to the compliance of the Model Code as set out in Appendix 10 to the Listing Rules monitoring the code of conduct regarding securities transactions by our directors were not applicable to our Company for the six months ended 30 September 2013. The Board has adopted the Model Code upon Listing on the Stock Exchange.

### **AUDIT COMMITTEE**

The Audit Committee of the Company, which consists of the three independent non-executive Directors of the Company, has reviewed the Group's unaudited interim results for the six months ended 30 September 2013.

### **PUBLICATION OF INTERIM REPORT**

The interim report of the Group for the six months ended 30 September 2013 containing all the information required by the Listing Rules is to be despatched to the shareholders and made available for review on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.huaxihds.com.hk](http://www.huaxihds.com.hk) in due course.

### **APPRECIATION**

The Board would like to thank the management and all the staff of the Group for their diligence and dedication as well as its business partners associates and all professional parties for their support to the Group throughout the period.

By Order of the Board  
**Huaxi Holdings Company Limited**  
**Zheng Andy Yi Sheng**  
*Chairman*

Hong Kong, 24 December 2013

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   |      | Six months ended<br>30 September |                                 |
|---|------|----------------------------------|---------------------------------|
|   | Note | 2013<br>HK\$'000<br>(Unaudited)  | 2012<br>HK\$'000<br>(Unaudited) |
| Revenue   | 6    | 129,155                          | 138,293                         |
| Cost of sales   | 7    | (83,085)                         | (104,259)                       |
| <b>Gross profit</b>   |      | <b>46,070</b>                    | 34,034                          |
| Distribution costs  | 7    | (903)                            | (1,590)                         |
| Administrative expenses   | 7    | (13,873)                         | (3,470)                         |
| Other gains/(losses) – net  |      | 11                               | (12)                            |
| <b>Operating profit</b>   |      | <b>31,305</b>                    | 28,962                          |
| Finance income  |      | 1,085                            | 850                             |
| <b>Profit before income tax</b>   |      | <b>32,390</b>                    | 29,812                          |
| Income tax expense  | 8    | (7,535)                          | (5,717)                         |
| <b>Profit for the period attributable to owner of the Company</b>                     |      | <b>24,855</b>                    | 24,095                          |
| <b>Other comprehensive income</b>   |      |                                  |                                 |
| <i>Items that will not be reclassified to profit or loss:</i>                         |      |                                  |                                 |
| Currency translation difference   |      | 3,275                            | (1,033)                         |
| <b>Other comprehensive income for the period</b>                                      |      | <b>3,275</b>                     | (1,033)                         |
| <b>Total comprehensive income for the period attributable to owner of the Company</b> |      | <b>28,130</b>                    | 23,062                          |
| <b>Earnings per share</b>   |      |                                  |                                 |
| – Basic and diluted   | 9    | <b>HK10.36 cents</b>             | HK10.04 cents                   |
| Dividends   | 10   | 35,975                           | –                               |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | Note | <b>30 September<br/>2013<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2013<br>HK\$'000<br>(Audited) |
|---|------|---|---|
| <b>ASSETS</b>   |      |   |   |
| <b>Non-current assets</b>                             |      |   |   |
| Property, plant and equipment                         | 11   | <b>48,780</b>   | 45,536                                    |
| Prepaid operating lease                               |      | <b>7,029</b>  | 6,983                                     |
| Deferred tax assets                                   |      | <b>592</b>  | 601                                       |
|   |      | <b>56,401</b>   | 53,120                                    |
| <b>Current assets</b>                                 |      |   |   |
| Inventories   |      | <b>25,294</b>   | 33,464                                    |
| Trade receivables                                     | 12   | <b>71,797</b>   | 65,488                                    |
| Prepayments and other receivables                     | 13   | <b>5,014</b>  | 875                                       |
| Amount due from a related party                       | 21   | <b>1,262</b>  | 13,195                                    |
| Financial assets at fair value through profit or loss |      | <b>729</b>  | 635                                       |
| Restricted cash                                       | 14   | <b>47,747</b>   | 49,810                                    |
| Cash and cash equivalents                             |      | <b>54,657</b>   | 46,596                                    |
|   |      | <b>206,500</b>  | 210,063                                   |
| <b>Total assets</b>                                   |      | <b>262,901</b>  | 263,183                                   |
| <b>EQUITY</b>   |      |   |   |
| <b>Equity attributable to owner of the Company</b>    |      |   |   |
| Share capital   | 15   | –   | –   |
| Reserves  |      | <b>150,299</b>  | 149,824                                   |
| <b>Total equity</b>                                   |      | <b>150,299</b>  | 149,824                                   |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

|  | <i>Note</i> | <b>30 September<br/>2013<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2013<br>HK\$'000<br>(Audited) |
|--|-------------|---|---|
| <b>LIABILITIES</b>                           |             |   |   |
| <b>Non-current liabilities</b>               |             |   |   |
| Deferred tax liabilities                     |             | <b>2,339</b>  | 2,328                                     |
| <b>Current liabilities</b>                   |             |   |   |
| Trade and notes payable                      | 16          | <b>82,436</b>   | 91,133                                    |
| Other payables                               | 17          | <b>20,033</b>   | 10,214                                    |
| Amounts due to related parties               | 21          | –   | 2,139                                     |
| Current income tax liabilities               |             | <b>7,794</b>  | 7,545                                     |
|  |             | <b>110,263</b>  | 111,031                                   |
| <b>Total liabilities</b>                     |             | <b>112,602</b>  | 113,359                                   |
| <b>Total equity and liabilities</b>          |             | <b>262,901</b>  | 263,183                                   |
| <b>Net current assets</b>                    |             | <b>96,237</b>   | 99,032                                    |
| <b>Total assets less current liabilities</b> |             | <b>152,638</b>  | 152,152                                   |



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to owner of the Company      |                                   |                                  |                               |                                  |                               | Total<br>HK\$'000 |
|---|---|-----------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|-------------------|
|   | Share<br>capital<br>HK\$'000<br>(Note 15) | Reserves                          |                                  |                               |                                  | Total<br>reserves<br>HK\$'000 |                   |
|   |   | Statutory<br>reserves<br>HK\$'000 | Exchange<br>reserves<br>HK\$'000 | Other<br>reserves<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 |                               |                   |
| <b>Six months ended<br/>30 September 2013<br/>(Unaudited)</b> |   |                                   |                                  |                               |                                  |                               |                   |
| <b>Balance at 1 April 2013</b>                                | -   | 8,307                             | 11,249                           | 35,274                        | 94,994                           | 149,824                       | 149,824           |
| Comprehensive income  |   |                                   |                                  |                               |                                  |                               |                   |
| – Profit for the period                                       | -   | -                                 | -                                | -                             | 24,855                           | 24,855                        | 24,855            |
| Other comprehensive income                                    | -   | -                                 | 3,275                            | -                             | -                                | 3,275                         | 3,275             |
| <b>Total comprehensive income</b>                             | -   | -                                 | 3,275                            | -                             | 24,855                           | 28,130                        | 28,130            |
| Transactions with owner                                       |   |                                   |                                  |                               |                                  |                               |                   |
| – Issue of share  | -   | -                                 | -                                | -                             | -                                | -                             | -                 |
| – Dividends to owner  | -   | -                                 | -                                | -                             | (27,655)                         | (27,655)                      | (27,655)          |
| <b>Total transactions with owner</b>                          | -   | -                                 | -                                | -                             | (27,655)                         | (27,655)                      | (27,655)          |
| <b>Balance at 30 September<br/>2013</b>                       | -   | 8,307                             | 14,524                           | 35,274                        | 92,194                           | 150,299                       | 150,299           |
| <b>Six months ended<br/>30 September 2012<br/>(Unaudited)</b> |   |                                   |                                  |                               |                                  |                               |                   |
| <b>Balance at 1 April 2012</b>                                | -   | 3,045                             | 10,764                           | 35,274                        | 55,518                           | 104,601                       | 104,601           |
| Comprehensive income  |   |                                   |                                  |                               |                                  |                               |                   |
| – Profit for the period                                       | -   | -                                 | -                                | -                             | 24,095                           | 24,095                        | 24,095            |
| Other comprehensive income                                    | -   | -                                 | (1,033)                          | -                             | -                                | (1,033)                       | (1,033)           |
| <b>Total comprehensive income</b>                             | -   | -                                 | (1,033)                          | -                             | 24,095                           | 23,062                        | 23,062            |
| <b>Balance at 30 September<br/>2012</b>                       | -   | 3,045                             | 9,731                            | 35,274                        | 79,613                           | 127,663                       | 127,663           |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   |                                 | Six months ended<br>30 September |                 |
|---|---------------------------------|----------------------------------|-----------------|
| Note  | 2013<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited)  |                 |
| <b>Cash flows from operating activities</b>                   |                                 |                                  |                 |
|   | 18                              | 33,794                           | 23,774          |
|   |                                 | (7,389)                          | (3,119)         |
| <b>Net cash generated from operating activities</b>           |                                 | <b>26,405</b>                    | <b>20,655</b>   |
| <b>Cash flows from investing activities</b>                   |                                 |                                  |                 |
|   |                                 | (4,828)                          | (3,155)         |
|   |                                 | 2,063                            | (836)           |
|   |                                 | -                                | (20,609)        |
|   |                                 | 11,933                           | (9,755)         |
|   |                                 | -                                | (318)           |
|   |                                 | 1,085                            | 850             |
| <b>Net cash generated from/(used in) investing activities</b> |                                 | <b>10,253</b>                    | <b>(33,823)</b> |
| <b>Cash flows from financing activities</b>                   |                                 |                                  |                 |
|   |                                 | (1,080)                          | -               |
|   |                                 | (2,139)                          | (2,836)         |
|   | 10                              | (27,655)                         | -               |
| <b>Net cash used in financing activities</b>                  |                                 | <b>(30,874)</b>                  | <b>(2,836)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |                                 | <b>5,784</b>                     | <b>(16,004)</b> |
|   |                                 | 46,596                           | 27,001          |
|   |                                 | 2,277                            | (669)           |
| <b>Cash and cash equivalents at end of the period</b>         |                                 | <b>54,657</b>                    | <b>10,328</b>   |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Huaxi Holdings Company Limited was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is the offices of Appleby Trust (Cayman) Ltd., Clifton House, P.O. Box 1350, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in manufacturing and sales of cigarette packing materials in the People’s Republic of China (the “PRC”).

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

This condensed consolidated interim financial information for the six months ended 30 September 2013 (“Interim Financial Information”) is presented in thousands of Hong Kong dollar (“HK\$”), unless otherwise stated. This Interim Financial Information was approved for issue on 24 December 2013.

Pursuant to a group reorganisation as set out under the section headed “History, Reorganisation and Corporate structure” in the Prospectus, which was completed on 5 September 2013 (“the Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group. The unaudited condensed consolidated interim financial statements of the Group have been prepared as if the Group had always been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

## 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 Accountant’s Report included in Appendix I to the Prospectus, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

The accounting policies applied are consistent with those described in the Accountant's Report included in Appendix I to the Prospectus.

- (a) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2013 and have not been early adopted:

|   |   | <b>Effective for<br/>annual periods<br/>beginning on<br/>or after</b> |
|---|---|---|
| Amendment to HKAS 32                                | Financial instruments: Presentation – Offsetting financial assets and financial liabilities | 1 January 2014  |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment entities   | 1 January 2014  |
| HKAS 36 (Amendment)                                 | Recoverable amount disclosures for non-financial assets                                     | 1 January 2014  |
| HKAS 39 (Amendment)                                 | Novation of derivatives   | 1 January 2014  |
| HK(IFRIC) – Int 21                                  | Levies  | 1 January 2014  |
| HKFRS 9   | Financial instruments   | 1 January 2015  |
| Amendments to HKFRS 7 and HKFRS 9                   | Mandatory effective date of HKFRS 9 and transition disclosures                              | 1 January 2015  |

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

- (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 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to Accountant's Report included in Appendix I to the Prospectus.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the Board of Directors.

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with Accountant's Report included in Appendix I to the Prospectus.

There have been no changes of the risk management policies of the Group since the latest audited financial periods.

### 4.2 Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss, trade receivables, other receivables and amount due from a related party.

As at 30 September 2013, substantially all the Group's bank deposits are deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk (31 March 2013: same).

Financial assets at fair value through profit or loss and interest bearing other receivables represent financial instruments purchased from financial institutions in the PRC. Management believes these financial institutions are of high credit quality and there is no significant credit risk on them.

### 4.3 Fair value estimation

As at 30 September 2013, approximately 88.1% of the Group's trade receivables were due from the top five largest customers (31 March 2013: 90.9%), while approximately 54.1% of the Group's trade receivables were due from the largest customer (31 March 2013: 67.4%).

As at 30 September 2013, the Group does not have any significant financial instruments that are measured at fair value (31 March 2013: nil). For the six months ended 30 September 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities (six months ended 30 September 2012: nil).

For the six months ended 30 September 2013, there were no reclassifications of financial assets (six months ended 30 September 2012: nil).

## 5 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.

The Group is principally engaged in the manufacture and sales of packaging materials for cigarette in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Board of Directors of the Company regards that there is only one segment which is used to make strategic decisions.

For the six months ended 30 September 2013, the major operating entity of the Group is domiciled in the PRC. Accordingly, majority of the Group’s revenue are derived in the PRC (six months ended 30 September 2012: same).

As at 30 September 2013, all of the Group’s non-current assets were located in the PRC (31 March 2013: same).

## 6 REVENUE

|   | <b>Six months ended<br/>30 September</b> |                  |
|---|--|------------------|
|   | <b>2013<br/>HK\$’000</b>                 | 2012<br>HK\$’000 |
| Sales of cigarette packaging and other products | <b>129,155</b>                           | 138,293          |

For the six months ended 30 September 2013, approximately 79.5% (six months ended 30 September 2012: 76.9%) of the Group’s revenue were made to 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 2013 (six months ended 30 September 2012: same):

|            | <b>Six months ended<br/>30 September</b> |                  |
|------------|--|------------------|
|            | <b>2013<br/>HK\$’000</b>                 | 2012<br>HK\$’000 |
| Customer A | <b>59.7%</b>                             | 56.3%            |
| Customer B | <b>19.8%</b>                             | 20.6%            |
|            | <b>79.5%</b>                             | 76.9%            |

All of the Group’s sales are carried out by its subsidiary in the PRC (six months ended 30 September 2012: same).

## 7 EXPENSES BY NATURE

|   | <b>Six months ended<br/>30 September</b> |          |
|---|--|----------|
|   | <b>2013</b>                              | 2012     |
|   | <b>HK\$'000</b>                          | HK\$'000 |
| Cost of inventories sold  | <b>76,667</b>                            | 94,977   |
| Expenses related to IPO   | <b>7,431</b>                             | –        |
| Staff costs (including directors' emoluments)                       | <b>6,237</b>                             | 6,678    |
| Depreciation and amortisation                                       | <b>2,856</b>                             | 2,330    |
| Utilities   | <b>1,743</b>                             | 2,204    |
| Business tax and other taxes  | <b>1,096</b>                             | 794      |
| Other expenses  | <b>1,831</b>                             | 2,336    |
|   | <hr/>                                    | <hr/>    |
| Total cost of sales, distribution costs and administrative expenses | <b>97,861</b>                            | 109,319  |

## 8 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.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 September 2013 (six months ended 30 September 2012: same).

**8 INCOME TAX EXPENSE** *(continued)*

On 16 March 2007, the National People’s Congress approved the Enterprise Income Tax Law of the PRC (the “EIT Law”), which is effective from 1 January 2008. Under the EIT Law and the Implementation Rules of the EIT Law, the standard tax rate of the PRC entities was 25% during the six months ended 30 September 2013 (six months ended 30 September 2012: 25%).

On 17 November 2011, the Group’s subsidiary in the PRC was awarded High-Tech Enterprise Confirmation Certificate which is effective for three years commencing on 1 January 2011. The applicable income tax rate is 15% for the six months ended 30 September 2013 (six months ended 30 September 2012: 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 fulfill requirements under the tax treaty agreements between the relevant authorities of the PRC and the Hong Kong.

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 six months ended 30 September 2013 (six months ended 30 September 2012: same). 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.

|  | <b>Six months ended<br/>30 September</b> |                  |
|--|--|------------------|
|  | <b>2013<br/>HK\$'000</b>                 | 2012<br>HK\$'000 |
| Current income tax   |  |                  |
| – PRC corporate income tax   | <b>6,098</b>                             | 4,840            |
| Deferred income tax  |  |                  |
| – PRC corporate income tax   | <b>(20)</b>                              | (253)            |
| – Withholding income tax for profit to be distributed from the PRC | <b>1,457</b>                             | 1,130            |
|  | <b>7,535</b>                             | 5,717            |

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).



## 9 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owner of the Company by the numbers of ordinary shares in issue during the period.

|  | <b>Six months ended<br/>30 September</b> |             |
|--|--|-------------|
|  | <b>2013</b>                              | 2012        |
| Profit attributable to owner of the Company (HK\$'000) | <b>24,855</b>                            | 24,095      |
| Numbers of ordinary shares in issue ( <i>Note 15</i> ) | <b>240,000,000</b>                       | 240,000,000 |
| Basic earnings per share (HK cents per share)          | <b>10.36</b>                             | 10.04       |

In determining the numbers of ordinary shares in issue for the six months ended 30 September 2013, 240,000,000 ordinary shares arising mainly from capitalisation of the share premium that were issued to the Company's controlling shareholder, were deemed to be in issue at the beginning of the earliest period presented in the condensed consolidated financial statements.

### (b) Diluted

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2013 (six months ended 30 September 2012: same) and hence the diluted earnings per share is the same as basic earnings per share.

## 10 DIVIDENDS

On 24 April 2013, Shantou Xinda Colour Printing & Packing Material Co., Ltd., a subsidiary of the Group, declared a final dividend of RMB23,017,000 (equivalent to HK\$29,095,000) in respect of its profit for the year ended 31 March 2013 to its then shareholder. After deducting the relevant withholding tax of RMB1,145,000 (equivalent to HK\$1,440,000), the net amount of RMB21,872,000 (equivalent to HK\$27,655,000) was paid in May 2013.

On 10 October 2013 and 11 November 2013, the Company declared special dividends of RMB19,000,000 (equivalent to HK\$23,975,000) and RMB9,500,000 (equivalent to HK\$12,000,000), respectively, to its shareholder.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this Interim Financial Information.

## 11 PROPERTY, PLANT AND EQUIPMENT

|                             | Plant and<br>buildings<br>HK\$'000 | Machinery<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|------------------------------------|-----------------------|---------------------------------|-------------------|
| <b>Six months ended</b>     |                                    |                       |                                 |                   |
| <b>30 September 2013</b>    |                                    |                       |                                 |                   |
| Opening net book amount     | 20,182                             | 24,390                | 964                             | 45,536            |
| Exchange differences        | 412                                | 437                   | 59                              | 908               |
| Additions                   | 5,108                              | –                     | –                               | 5,108             |
| Depreciation                | (1,135)                            | (1,591)               | (46)                            | (2,772)           |
| Closing net book amount     | <u>24,567</u>                      | <u>23,236</u>         | <u>977</u>                      | <u>48,780</u>     |
| <b>At 30 September 2013</b> |                                    |                       |                                 |                   |
| Cost                        | 38,315                             | 40,009                | 1,730                           | 80,054            |
| Accumulated depreciation    | (13,748)                           | (16,773)              | (753)                           | (31,274)          |
| Net book amount             | <u>24,567</u>                      | <u>23,236</u>         | <u>977</u>                      | <u>48,780</u>     |
| <b>Six months ended 30</b>  |                                    |                       |                                 |                   |
| <b>September 2012</b>       |                                    |                       |                                 |                   |
| Opening net book amount     | 18,611                             | 21,526                | 1,045                           | 41,182            |
| Exchange differences        | (171)                              | (188)                 | (9)                             | (368)             |
| Additions                   | 2,272                              | 1,046                 | –                               | 3,318             |
| Depreciation                | (879)                              | (1,328)               | (42)                            | (2,249)           |
| Closing net book amount     | <u>19,833</u>                      | <u>21,056</u>         | <u>994</u>                      | <u>41,883</u>     |
| <b>At 30 September 2012</b> |                                    |                       |                                 |                   |
| Cost                        | 30,926                             | 34,311                | 1,637                           | 66,874            |
| Accumulated depreciation    | (11,093)                           | (13,255)              | (643)                           | (24,991)          |
| Net book amount             | <u>19,833</u>                      | <u>21,056</u>         | <u>994</u>                      | <u>41,883</u>     |

No property, plant and equipment were pledged as collateral as at 30 September 2013 (31 March 2013: nil).

During the six months ended 30 September 2013, all buildings were located in the PRC (six months ended 30 September 2012: same).

## 12 TRADE RECEIVABLES

|                   | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|-------------------|---|------------------------------|
| Trade receivables | <b>71,797</b>                             | 65,488                       |

- (a) Ageing analysis of trade receivables based on invoice date at respective balance sheet dates is as follows:

|                     | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|---------------------|---|------------------------------|
| Less than 30 days   | <b>67,848</b>                             | 40,971                       |
| 31 days to 60 days  | <b>356</b>                                | 20,470                       |
| 61 days to 90 days  | <b>2,365</b>                              | 2,298                        |
| 91 days to 180 days | <b>985</b>                                | 1,749                        |
| Over 180 days       | <b>243</b>                                | –                            |
|                     | <b>71,797</b>                             | 65,488                       |

The Group's sales are usually made on credit terms of 60 to 90 days. As at 30 September 2013, trade receivables were all within due date and no provision was made (31 March 2013: same).

- (b) As at 30 September 2013, the Group's maximum exposure to credit risk was the carrying value of each class of trade receivables mentioned above. The Group does not hold any collateral as security (31 March 2013: same).
- (c) No trade receivables were pledged as at 30 September 2013 (31 March 2013: nil).

## 13 PREPAYMENTS AND OTHER RECEIVABLES

|                      | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|----------------------|---|------------------------------|
| Advance to suppliers | <b>401</b>                                | 835                          |
| Deferred IPO cost    | <b>4,352</b>                              | –                            |
| Other receivables    | <b>261</b>                                | 40                           |
|                      | <b>5,014</b>                              | 875                          |

As at 30 September 2013, the Group's maximum exposure to credit risk was the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security (31 March 2013: same).

## 14 RESTRICTED CASH

|                    | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|--------------------|---|------------------------------|
| Denominated in RMB | <b>47,747</b>                             | 49,810                       |

As at 30 September 2013, the Group placed cash deposits of approximately HK\$47,747,000 with designated banks as collateral for the Group's notes payable (31 March 2013: HK\$49,810,000).

## 15 SHARE CAPITAL

| <b>Authorised share capital</b>                               | <b>Number of<br/>ordinary<br/>shares</b> | <b>Nominal<br/>value of<br/>ordinary<br/>shares<br/>HK\$</b> | <b>Equivalent<br/>nominal value<br/>of ordinary<br/>shares<br/>HK\$</b> |
|---|--|--|---|
| At 29 April 2013 and<br>30 September 2013 ( <i>note (i)</i> ) | <b>38,000,000</b>                        | <b>0.01</b>  | <b>380,000</b>  |
| Increase in authorised<br>share capital ( <i>note (ii)</i> )  | <b>1,962,000,000</b>                     | <b>0.01</b>  | <b>19,620,000</b>   |
| At 6 December 2013  | <b>2,000,000,000</b>                     | <b>0.01</b>  | <b>20,000,000</b>   |

| <b>Issued share capital</b>   | <b>Number of<br/>issued shares</b> | <b>Amount<br/>HK\$</b> |
|---|------------------------------------|------------------------|
| At 1 April 2012 and 2013  | –                                  | –                      |
| Issue of share ( <i>note (i)</i> )                                      | <b>1</b>                           | <b>0.01</b>            |
| At 30 September 2013  | <b>1</b>                           | <b>0.01</b>            |
| Capitalisation of shares ( <i>note (iii)</i> )                          | <b>239,999,999</b>                 | <b>2,399,999.99</b>    |
| Issue of new shares pursuant to<br>the share offer ( <i>note (iv)</i> ) | <b>60,000,000</b>                  | <b>600,000.00</b>      |
| At 6 December 2013  | <b>300,000,000</b>                 | <b>3,000,000.00</b>    |

## 15 SHARE CAPITAL *(continued)*

- (i) The Company was incorporated in the Cayman Islands on 29 April 2013 with an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. On incorporation date, 1 nil-paid share was issued to SXD Limited, a company owned and controlled by Mr. Zheng Andy Yisheng, director and controlling shareholder of the Company.
- (ii) Pursuant to shareholder's resolution passed on 14 November 2013, the Company's authorised share capital was increased to HK\$20,000,000 by creation of additional 1,962,000,000 ordinary shares of HK\$0.01 each, ranking pari passu in all respect with the existing shares of the Company.
- (iii) Pursuant to the shareholders' resolutions passed on 14 November 2013, an aggregate of 239,999,999 shares of HK\$0.01 each in the Company would be issued, to be credited as fully paid at par, by way of capitalisation of the sum of HK\$2,399,999.99 from the share premium account, to the then existing shareholder of the Company. On 6 December 2013, 239,999,999 shares were fully paid up.
- (iv) In connection with the initial public offering of the shares of the Company, 60,000,000 shares of HK\$0.01 each were issued at a price of HK\$1.35 per share for a total cash consideration, before listing expenses, of HK\$81,000,000. Dealings in these shares on the Stock Exchange commenced on 6 December 2013.

## 16 TRADE AND NOTES PAYABLE

|                                       | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|---------------------------------------|---|------------------------------|
| Trade payables <i>(Note (a))</i>      | <b>33,986</b>                             | 40,761                       |
| Notes payable – bank acceptance notes | <b>48,450</b>                             | 50,372                       |
|                                       | <b>82,436</b>                             | 91,133                       |

- (a) The ageing analysis of trade payables of the Group based on invoice date is as follows:

|                | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|----------------|---|------------------------------|
| Within 90 days | <b>31,039</b>                             | 34,393                       |
| 90 to 180 days | <b>2,681</b>                              | 4,465                        |
| Over 180 days  | <b>266</b>                                | 1,903                        |
|                | <b>33,986</b>                             | 40,761                       |

## 17 OTHER PAYABLES

|  | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|--|---|------------------------------|
| Accrual for staff costs and allowances | <b>4,093</b>                              | 4,733                        |
| Other tax payables                     | <b>6,655</b>                              | 3,008                        |
| Other accruals                         | <b>9,285</b>                              | 2,473                        |
|  | <b>20,033</b>                             | 10,214                       |

The fair value of these balance approximate their carrying amounts at 30 September 2013 (31 March 2013: same).

## 18 CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the period to net cash generated from operations.

|   | <b>Six months ended<br/>30 September</b> |                  |
|---|--|------------------|
|   | <b>2013<br/>HK\$'000</b>                 | 2012<br>HK\$'000 |
| Profit before income tax                  | <b>32,390</b>                            | 29,812           |
| Adjustments for:                          |  |                  |
| – Depreciation                            | <b>2,772</b>                             | 2,249            |
| – Provision for impairment of inventories | <b>151</b>                               | 99               |
| – Amortisation of prepaid operating lease | <b>84</b>                                | 81               |
| – Other (gains)/losses                    | <b>(11)</b>                              | 12               |
| – Finance income                          | <b>(1,085)</b>                           | (850)            |
| Changes in working capital:               |  |                  |
| – Inventories                             | <b>8,019</b>                             | (13,700)         |
| – Trade receivables                       | <b>(6,309)</b>                           | 3,442            |
| – Prepayments and other receivables       | <b>213</b>                               | (46)             |
| – Trade and notes payable                 | <b>(8,697)</b>                           | 5,767            |
| – Other payables                          | <b>6,267</b>                             | (3,092)          |
| Cash generated from operations            | <b>33,794</b>                            | 23,774           |

## 19 CONTINGENCIES

As at 30 September 2013, the Group had no material contingencies (31 March 2013: nil).

## 20 CAPITAL COMMITMENTS

As at 30 September 2013 and 31 March 2013, the Group had the following capital commitments:

|   | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|---|---|------------------------------|
| Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided | –   | 2,306                        |
| Capital expenditure in respect of the acquisition of property authorised but not contracted for             | –   | 1,222                        |

## 21 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

| <b>Name</b>                                | <b>Relationship</b>                             |
|--|---|
| Mr. Zheng Andy Yi Sheng                    | Ultimate controlling shareholder of the Company |
| Mr. Zheng Minsheng                         | Director and brother of Mr. Zheng Andy Yi Sheng |
| Shantou Lejing Trading Investment Co., Ltd | Company owned by Mr. Zheng Minsheng             |

**21 RELATED PARTY TRANSACTIONS** *(continued)*

**(b) Balances with related parties**

|   | <b>30 September<br/>2013<br/>HK\$'000</b> | 31 March<br>2013<br>HK\$'000 |
|---|---|------------------------------|
| Amount due from a related party <i>(note (i))</i> : |   |                              |
| – Mr. Zheng Andy Yi Sheng                           | <b>1,262</b>                              | 13,195                       |
| Amounts due to related parties <i>(note (i))</i> :  |   |                              |
| – Mr. Zheng Minsheng                                | –   | 247                          |
| – Shantou Lejing Trading Investment Co., Ltd        | –   | 1,892                        |
|   | <b>–</b>                                  | <b>2,139</b>                 |

(i) The amounts due from/to related parties are unsecured, interest-free and repayable on demand, which are cash advances in nature. Subsequent to 30 September 2013, the above balances with the related party were fully settled.

(c) Particulars of amount due from Mr. Zheng Andy Yi Sheng, who is a director of the Company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

|   | <b>Six months ended<br/>30 September</b> |                  |
|---|--|------------------|
|   | <b>2013<br/>HK\$'000</b>                 | 2012<br>HK\$'000 |
| Maximum amount outstanding for the period | <b>13,195</b>                            | 1,509            |



**21 RELATED PARTY TRANSACTIONS** *(continued)*

**(d) Key management compensations**

|                                      | <b>Six months ended<br/>30 September</b> |                  |
|--------------------------------------|--|------------------|
|                                      | <b>2013<br/>HK\$'000</b>                 | 2012<br>HK\$'000 |
| Salaries and other employee benefits | <b>306</b>                               | 221              |
| Pension costs                        | <b>27</b>                                | 24               |
|                                      | <b>333</b>                               | 245              |

**22 SUBSEQUENT EVENTS**

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 30 September 2013:

- (i) On 10 October 2013 and 11 November 2013, the Company declared special dividends of RMB19,000,000 (equivalent to HK\$23,975,000) and RMB9,500,000 (equivalent to HK\$12,000,000), respectively, to its then shareholder.
- (ii) By a shareholder's resolution dated 14 November 2013, the Group has conditionally adopted the Share Option Scheme under which employees of the Group including executive Directors and other eligible participants may be granted options to subscribe for shares of the Company.
- (iii) By a shareholder's resolution, dated 14 November 2013, the authorised share capital of the Company was increased to HK\$20,000,000 by creation of additional 1,962,000,000 ordinary shares of HK\$0.01 each, ranking pari passu in all respect with the existing shares of the Company.
- (iv) By a shareholder's resolution dated 14 November 2013 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 239,999,999 shares, credited as fully paid to the existing shareholder of the Company (Note 15).
- (v) Upon the listing of the Company's shares on the Stock Exchange on 6 December 2013, 60,000,000 shares of HK\$0.01 each were issued at a price of HK\$1.35 per share for a total cash consideration, before listing expenses, of HK\$81,000,000 (Note 15).