



HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1689



Interim Report  
2014

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# CORPORATION INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zheng Andy Yi Sheng  
Mr. Zheng Minsheng

### Independent non-executive Directors

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

## 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

## COMPANY SECRETARY

Mr. Yu Wing Cheung

## AUTHORISED REPRESENTATIVES

Mr. Zheng Andy Yi Sheng  
Mr. Yu Wing Cheung

## AUDITOR

PricewaterhouseCoopers

## LEGAL ADVISOR

Peter K.S. Chan & Co.

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1906-07 Cosco Tower  
183 Queen's Road Central  
Central  
Hong Kong

## REGISTERED OFFICE

Clifton House, P. O. Box 1350  
Grand Cayman, KY1-1108  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computersgare Hong Kong Investor Services Limited  
Shop 1712-16, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## COMPLIANCE ADVISER

Haitong International Capital Limited

## PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation  
Bank of China  
Bank of Communications  
China Minsheng Banking Corporation  
Industrial & Commercial Bank of China

## WEBSITE

<http://www.huaxihds.com.hk>

## STOCK CODE

01689

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended 30 September</b>	
	<i>Note</i>	<b>2014 HK\$'000 (Unaudited)</b>	2013 HK\$'000 (Unaudited)
Revenue	6	<b>143,599</b>	129,155
Cost of sales	7	<b>(95,147)</b>	(83,085)
<b>Gross profit</b>		<b>48,452</b>	46,070
Distribution costs	7	<b>(1,352)</b>	(903)
Administrative expenses	7	<b>(10,530)</b>	(13,873)
Other gains – net		<b>404</b>	11
<b>Operating profit</b>		<b>36,974</b>	31,305
Finance income		<b>2,252</b>	1,085
<b>Profit before income tax</b>		<b>39,226</b>	32,390
Income tax expense	8	<b>(7,763)</b>	(7,535)
<b>Profit for the period attributable to owners of the Company</b>		<b>31,463</b>	24,855
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		<b>234</b>	3,275
<b>Other comprehensive income for the period</b>		<b>234</b>	3,275
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>31,697</b>	28,130
<b>Earnings per share</b>			
– Basic and diluted	9	<b>HK10.01 cents</b>	HK10.36 cents
		<b>HK\$'000</b>	HK\$'000
Dividends	10	<b>13,570</b>	35,975

The notes on pages 8 to 24 form an integral part of this unaudited condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>30 September 2014 HK\$'000 (Unaudited)</b>	31 March 2014 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	50,584	46,784
Prepaid operating lease		6,866	6,944
Deferred tax assets		655	686
Prepayments		767	1,606
		<b>58,872</b>	56,020
<b>Current assets</b>			
Inventories		34,456	30,821
Trade receivables	12	99,220	81,589
Prepayments and other receivables	13	5,583	2,441
Other financial assets	14	32,046	–
Restricted cash	15	40,579	52,299
Bank deposits with maturity over three months		47,332	60,450
Cash and cash equivalents		83,232	53,226
		<b>342,448</b>	280,826
<b>Total assets</b>		<b>401,320</b>	336,846
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	3,393	3,113
Other reserves		194,890	147,980
Retained earnings			
– Proposed dividends		13,570	21,788
– Others		77,734	59,841
<b>Total equity</b>		<b>289,587</b>	232,722

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

	<i>Note</i>	<b>30 September 2014 HK\$'000 (Unaudited)</b>	31 March 2014 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>3,715</b>	2,161
<b>Current liabilities</b>			
Trade and notes payable	17	<b>82,170</b>	73,508
Other payables	18	<b>17,809</b>	18,456
Amounts due to related parties	21(b)	–	714
Current income tax liabilities		<b>8,039</b>	9,285
		<b>108,018</b>	101,963
<b>Total liabilities</b>		<b>111,733</b>	104,124
<b>Total equity and liabilities</b>		<b>401,320</b>	336,846
<b>Net current assets</b>		<b>234,430</b>	178,863
<b>Total assets less current liabilities</b>		<b>293,302</b>	234,883

The notes on page 8 to 24 form an integral part of this unaudited condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000 (Note 16)	Reserves				Total reserves HK\$'000	Total HK\$'000
		Statutory reserves HK\$'000	Exchange reserves HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000		
<b>Six months ended</b>							
<b>30 September 2014</b>							
<b>(Unaudited)</b>							
<b>Balance at 1 April 2014</b>	<b>3,113</b>	<b>14,320</b>	<b>14,128</b>	<b>119,532</b>	<b>81,629</b>	<b>229,609</b>	<b>232,722</b>
Comprehensive income							
– Profit for the period	–	–	–	–	31,463	31,463	31,463
– Other comprehensive income	–	–	234	–	–	234	234
Total comprehensive income	–	–	234	–	31,463	31,697	31,697
Transactions with owners, recognised directly in equity							
– Issuance of shares	280	–	–	47,320	–	47,320	47,600
– Share issuance expenses	–	–	–	(644)	–	(644)	(644)
– Dividends to owners	–	–	–	–	(21,788)	(21,788)	(21,788)
Total transactions with owners, recognised directly in equity	280	–	–	46,676	(21,788)	24,888	25,168
<b>Balance at 30 September 2014</b>	<b>3,393</b>	<b>14,320</b>	<b>14,362</b>	<b>166,208</b>	<b>91,304</b>	<b>286,194</b>	<b>289,587</b>
<b>Six months ended</b>							
<b>30 September 2013</b>							
<b>(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
Total comprehensive income	–	–	3,275	–	24,855	28,130	28,130
Transactions with owner							
– Issuance of shares	–	–	–	–	–	–	–
– Dividends to owner	–	–	–	–	(27,655)	(27,655)	(27,655)
Total transactions with owner	–	–	–	–	(27,655)	(27,655)	(27,655)
Balance at 30 September 2013	–	8,307	14,524	35,274	92,194	150,299	150,299

The notes on pages 8 to 24 form an integral part of this unaudited condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		<b>Six months ended 30 September</b>	
<i>Note</i>	<b>2014 HK\$'000 (Unaudited)</b>	<b>2013 HK\$'000 (Unaudited)</b>	
<b>Cash flows from operating activities</b>			
	Cash generated from operations	33,794	
19	<b>22,812</b>		
	PRC enterprise income tax paid	(7,389)	
	<b>(7,280)</b>		
	<b>15,532</b>	26,405	
<b>Cash flows from investing activities</b>			
	Purchases of property, plant and equipment	(4,828)	
	Decrease in restricted cash	2,063	
	Decrease in bank deposits with maturity over three months	–	
	Increase in other financial assets	–	
	Decrease in amount due from a related party	11,933	
	Interest income	1,085	
	<b>(9,864)</b>	10,253	
<b>Cash flows from financing activities</b>			
	Proceeds from issuance of ordinary shares	–	
	Costs in relation to issuance of ordinary shares	–	
	Prepayment of initial public offering (“IPO”) cost	(1,080)	
	Decrease in amounts due to related parties	(2,139)	
10	<b>(21,788)</b>	(27,655)	
	<b>24,454</b>	(30,874)	
<b>Net increase in cash and cash equivalents</b>			
	Cash and cash equivalents at beginning of the period	46,596	
	<b>53,226</b>	2,277	
	Effect of change in exchange rate	(116)	
	<b>83,232</b>	54,657	
<b>Cash and cash equivalents at end of the period</b>			

The notes on pages 8 to 24 form an integral part of this unaudited condensed consolidated interim financial information.



# 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 (“the Listing”).

This condensed consolidated interim financial information for the six months ended 30 September 2014 (“Interim Financial Information”) is presented in thousands of Hong Kong dollar (“HK\$”), unless otherwise stated. This Interim Financial Information was approved for issue on 14 November 2014.

The Interim Financial Information has not been audited.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 March 2014.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

- (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 2014 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
Amendment to IAS/HKAS19	Defined benefit plans	1 July 2014
Annual improvements 2012	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements 2013	Annual improvements 2011-2013 cycle	1 July 2014
IFRS/HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendment to IFRS/HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to IAS/HKAS 16 and IAS/HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS/HKFRS15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

Management is in the process of assessing the impact of the above new standards and interpretations and is not yet in a position to state whether there will be any substantial changes to the Group's significant accounting policies and presentation of the financial information as a result of adoption of the above new standards and interpretations.

- (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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 the annual financial statements for the year ended 31 March 2014.

## 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 the annual financial statements for the year ended 31 March 2014.

There have been no changes in the risk management department or in any risk management policies since year end.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

### 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, trade receivables and other receivables.

As at 30 September 2014, 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 2014: same).

Other financial assets 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 the Group's bank deposits and financial instruments.

As at 30 September 2014, approximately 89.7% of the Group's trade receivables were due from the top five largest customers (31 March 2014: 92.2%), while approximately 65.7% of the Group's trade receivables were due from the largest customer (31 March 2014: 68.7%).

All of the Group's trade receivables and other receivables have no collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of each customer by taking into account its financial position, past experience and other factors. Credit limit are reviewed on periodic basis, and the finance department is responsible for such monitoring procedures. In determining whether provision for impairment of receivables is required, the Group takes into consideration the future cash flows, ageing status and the likelihood of collection. In this regards, the directors of the Company are satisfied that the risks are minimal and adequate provision, if any, has been made in the Interim Financial Information after assessing the collectability of individual debts. No impairment of trade receivables and other receivables were recognised for the six months ended 30 September 2014 (six months ended 30 September 2013: nil). Further quantitative disclosures in respect of trade receivables and other receivables are set out in Note 12 and 13.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 directors consider that there is only one segment being used to make strategic decisions.

For the six months ended 30 September 2014, the major operating entity of the Group is domiciled in the PRC and accordingly, majority of the Group’s revenue were derived in the PRC (six months ended 30 September 2013: same).

As at 30 September 2014, majority of the non-current assets were located in the PRC (31 March 2014: same).

## 6 REVENUE

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Sales of cigarette packaging and other products	<b>143,599</b>	129,155

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 2014 (six months ended 30 September 2013: same):

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
Customer A	<b>54.6%</b>	59.7%
Customer B	<b>18.2%</b>	19.8%
	<b>72.8%</b>	79.5%

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 EXPENSES BY NATURE

	Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Cost of inventories sold	87,813	76,667
Staff costs (including directors' emoluments)	8,367	6,237
Depreciation and amortisation	2,635	2,856
Utilities	1,946	1,743
Business tax and other taxes	1,358	1,096
Transportation	1,009	667
Rental expenses	586	–
Travelling expenses	392	83
Office expenses	319	436
Expenses related to IPO	–	7,431
Other expenses	2,604	645
	<hr/>	<hr/>
Total cost of sales, distribution costs and administrative expenses	107,029	97,861

## 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.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 INCOME TAX EXPENSE (continued)

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

On 9 October 2014, the Group’s subsidiary in the PRC has passed the review for renewing the High and New Technology Enterprise Certificate (“Certificate”) which is effective for three years commencing on 1 January 2014. The subsidiary is in the process of getting the new Certificate from the local tax authority and with the Certificate, the applicable income tax rate is 15%. The Directors consider that the Group will get the Certificate and continue to be granted the preferential tax treatment for the calendar years of 2014 to 2016 and accordingly, tax rate of 15% has been applied for the six months ended 30 September 2014 (six months ended 30 September 2013: 15%).

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

	<b>Six months ended 30 September</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
Current income tax		
– PRC corporate income tax	<b>6,066</b>	6,098
Deferred income tax		
– PRC corporate income tax	<b>144</b>	(20)
– Withholding income tax for profit to be distributed from the PRC	<b>1,553</b>	1,457
	<b>7,763</b>	7,535

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2014 (six months ended 30 September 2013: nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average numbers of ordinary shares in issue during the period.

	Six months ended 30 September	
	2014	2013
Profit attributable to owners of the Company (HK\$'000)	<b>31,463</b>	24,855
Weighted average numbers of ordinary shares in issue	<b>314,206,000</b>	240,000,000
Basic earnings per share	<b>HK10.01 cents</b>	HK10.36 cents

In determining the numbers of ordinary shares in issue for the six months ended 30 September 2013, total of 240,000,000 ordinary shares were deemed to be in issue at the beginning of the earliest period presented in the condensed consolidated interim financial statements.

### (b) Diluted

There were no potential dilutive ordinary shares outstanding during the six months ended 30 September 2014 (six months ended 30 September 2013: same) and hence the diluted earnings per share is the same as basic earnings per share.

## 10 DIVIDENDS

A final dividend of HK7.00 cents per ordinary share in respect of the year ended 31 March 2014, totalling approximately HK\$21,788,000, were paid during the period.

On 14 November 2014, the Board has resolved to declare an interim dividend of HK4.00 cents per share, which is payable on or around 30 December 2014 to shareholders who are on the register at 17 December 2014. This interim dividend, amounting to HK\$13,570,000 (2013: nil), has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 March 2015.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK\$'000	Machinery HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>At 1 April 2014</b>				
Cost	38,304	40,016	2,276	80,596
Accumulated depreciation	(14,598)	(18,338)	(876)	(33,812)
Net book amount	<u>23,706</u>	<u>21,678</u>	<u>1,400</u>	<u>46,784</u>
<b>Six months ended 30 September 2014</b>				
Opening net book amount	23,706	21,678	1,400	46,784
Exchange differences	15	29	-	44
Additions	-	6,305	-	6,305
Depreciation	(663)	(1,727)	(159)	(2,549)
Closing net book amount	<u>23,058</u>	<u>26,285</u>	<u>1,241</u>	<u>50,584</u>
<b>At 30 September 2014</b>				
Cost	38,333	46,368	2,278	86,979
Accumulated depreciation	(15,275)	(20,083)	(1,037)	(36,395)
Net book amount	<u>23,058</u>	<u>26,285</u>	<u>1,241</u>	<u>50,584</u>
<b>At 1 April 2013</b>				
Cost	32,555	39,281	1,658	73,494
Accumulated depreciation	(12,373)	(14,891)	(694)	(27,958)
Net book amount	<u>20,182</u>	<u>24,390</u>	<u>964</u>	<u>45,536</u>
<b>Six months ended 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>

During the six months ended 30 September 2014, all buildings were located in the PRC (six months ended 30 September 2013: same).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12 TRADE RECEIVABLES

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Trade receivables	<b>99,220</b>	81,589

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

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Less than 30 days	<b>95,312</b>	76,886
31 days to 60 days	<b>3,293</b>	3,301
61 days to 90 days	<b>30</b>	750
91 days to 180 days	<b>474</b>	35
Over 180 days	<b>111</b>	617
	<b>99,220</b>	81,589

As at 30 September 2014, trade receivables of HK\$615,000 (31 March 2014: HK\$652,000) were past due but not impaired. These relate to two independent customers for whom there is no financial difficulty and the executive directors, based on past experience, consider that those amounts can be recovered.

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

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Denominated in RMB	<b>98,258</b>	80,636
Denominated in HK\$	<b>962</b>	953
	<b>99,220</b>	81,589

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Advance to suppliers	<b>1,114</b>	1,223
Prepayments for fixed assets	<b>767</b>	1,606
Other prepayments	<b>315</b>	561
Other receivables	<b>4,154</b>	657
	<b>6,350</b>	4,047
Less non-current portion:		
Prepayments for fixed assets	<b>(767)</b>	(1,606)
	<b>5,583</b>	2,441

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

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Denominated in RMB	<b>5,128</b>	3,259
Denominated in HK\$	<b>1,222</b>	788
	<b>6,350</b>	4,047

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 OTHER FINANCIAL ASSETS

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Other financial assets	<b>32,046</b>	–

Other financial assets comprised certain non-derivative wealth management products with fixed or determinable payment term of less than 14 days from a financial institution in the PRC.

## 15 RESTRICTED CASH

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Denominated in RMB	<b>40,579</b>	52,299

As at 30 September 2014, the Group placed cash deposits of approximately HK\$40,579,000 (31 March 2014: HK\$52,299,000) with designated banks as collateral for the Group's notes payable.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 SHARE CAPITAL

<b>Authorised share capital</b>	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares HK\$</b>	<b>Equivalent nominal value of ordinary shares HK\$</b>
At 29 April 2013 and 30 September 2013	<b>38,000,000</b>	<b>0.01</b>	<b>380,000</b>
Increase in authorised share capital	<b>1,962,000,000</b>	<b>0.01</b>	<b>19,620,000</b>
At 6 December 2013 and 31 March 2014	<b>2,000,000,000</b>	<b>0.01</b>	<b>20,000,000</b>

<b>Issued share capital</b>	<b>Number of issued shares</b>	<b>Amount HK\$</b>
At 31 March 2014	<b>311,250,000</b>	<b>3,112,500.00</b>
Issuance of ordinary shares ( <i>Note</i> )	<b>28,000,000</b>	<b>280,000.00</b>
At 30 September 2014	<b>339,250,000</b>	<b>3,392,500.00</b>

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

## 17 TRADE AND NOTES PAYABLE

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Trade payables ( <i>Note (a)</i> )	<b>41,003</b>	20,927
Notes payable – bank acceptance notes	<b>41,167</b>	52,581
	<b>82,170</b>	73,508

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17 TRADE AND NOTES PAYABLE *(continued)*

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

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Within 90 days	<b>39,047</b>	20,172
91 to 180 days	<b>1,768</b>	600
Over 180 days	<b>188</b>	155
	<b>41,003</b>	20,927

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

## 18 OTHER PAYABLES

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Accrual for staff costs and allowances	<b>3,685</b>	3,100
Other tax payables	<b>11,223</b>	9,594
Other accruals	<b>2,901</b>	5,762
	<b>17,809</b>	18,456

The carrying amounts of the Group's other payables are denominated in the following currencies:

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Denominated in RMB	<b>17,097</b>	14,211
Denominated in HK\$	<b>712</b>	4,245
	<b>17,809</b>	18,456

The fair value of these balances approximates their carrying amounts at 30 September 2014 (31 March 2014: same).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19 CASH GENERATED FROM OPERATIONS

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

	<b>Six months ended 30 September</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
Profit before income tax	<b>39,226</b>	32,390
Adjustments for:		
– Depreciation	<b>2,549</b>	2,772
– Provision for impairment of inventories	<b>(279)</b>	151
– Amortisation of prepaid operating lease	<b>86</b>	84
– Other gains	<b>(404)</b>	(11)
– Finance income	<b>(2,252)</b>	(1,085)
Changes in working capital:		
– Inventories	<b>(3,356)</b>	8,019
– Trade receivables	<b>(17,631)</b>	(6,309)
– Prepayments and other receivables	<b>(3,142)</b>	213
– Trade and note payables	<b>8,662</b>	(8,697)
– Other payables	<b>(647)</b>	6,267
Cash generated from operations	<b>22,812</b>	33,794

### 20 CAPITAL COMMITMENTS

As at 30 September 2014 and 31 March 2014, the Group had the following capital commitments:

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided	<b>1,189</b>	3,689

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 21 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

<b>Name</b>	<b>Relationship</b>
Mr. Zheng Andy Yi Sheng	Controlling Shareholder
Mr. Zheng Minsheng	Executive director and the deputy general manager of the Group and the younger brother of Mr. Zheng Andy Yi Sheng

(b) Balances with related parties

	<b>30 September 2014 HK\$'000</b>	31 March 2014 HK\$'000
Amounts due to related parties:		
– Mr. Zheng Andy Yi Sheng	–	714
Other payables ( <i>Note</i> )		
– Mr. Zheng Andy Yi Sheng	<b>250</b>	125
– Mr. Zheng Minsheng	–	100
	<b>250</b>	225

*Note:* Other payables are directors' fee to be paid.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 21 RELATED PARTY TRANSACTIONS *(continued)*

(c) Particulars of amount due from directors of the Company are as follows:

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Maximum amount outstanding for the period	–	13,195

### (d) Key management compensations

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Salaries and other employee benefits	<b>1,287</b>	306
Pension costs	<b>26</b>	27
	<b>1,313</b>	333

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Huaxi Holdings Company Limited (the “Company”) together with its subsidiaries (together, the “Group” or “we”) is one of the major cigarette-related packaging materials manufacturers and suppliers in the Peoples Republic of China (the “PRC”). Our key products are inner frame paper, cigarette box frame paper, tipping paper, cigarette trademark label, cigarette paper box, transfer printing cardboard and transfer art paper. With such a comprehensive product range, the Group is a trusted packing materials supplier to two of the national backbone cigarette brands, which are among the 30 key cigarette brands across the national market identified by the State Tobacco Monopoly Administration (中國國家煙草專賣局) (the “STMA”).

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 September 2014, the Group’s revenue was approximately HK\$143.6 million (for the six month ended 30 September 2013: HK\$129.2 million), representing an increase of 11.1% as compared to the corresponding period of 2013. The increase was mainly resulted from our new products, such as transfer printing cardboard and transfer art paper supplied to new customers, who are cigarette packaging manufacturers.

The following table sets forth the breakdown of the Group’s revenue by product category for the six months ended 30 September 2014 and 2013:

	Six months ended 30 September			
	2014		2013	
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Inner frame paper	65,455	45.6	73,010	56.6
Cigarette box frame paper	20,873	14.6	15,903	12.3
Tipping paper	35,236	24.5	31,440	24.3
Cigarette trademark labels	5,355	3.7	7,127	5.5
Cigarette paper boxes	1,156	0.8	1,468	1.1
Transfer printing cardboard and transfer art paper	15,524	10.8	–	–
Others	–	–	207	0.2
	<b>143,599</b>	<b>100.0</b>	<b>129,155</b>	<b>100.0</b>

### Gross profit and gross profit margin

Gross profit of the Group for the period under review was approximately HK\$48.5 million, an increase of approximately 5.2% as compared with approximately HK\$46.1 million for the corresponding period in 2013. The Group’s gross profit margin was approximately 33.7% for the six months ended 30 September 2014, a slight decrease of 2.0% compared with 35.7% for the corresponding period in 2013.

### FINANCIAL REVIEW *(continued)*

#### Distribution costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs increased by HK\$0.5 million from approximately HK\$0.9 million for the six months ended 30 September 2013 to HK\$1.4 million for the corresponding period in 2014. The increase was primarily due to increase in sales and transportation costs, insurance premium and other travelling expenses.

#### Administrative expenses

Administrative expenses decreased by approximately HK\$3.4 million from approximately HK\$13.9 million for the six months ended 30 September 2013 to approximately HK\$10.5 million for the six months ended 30 September 2014. The decrease was mainly due to the absence of expenses related to initial public offering of approximately HK\$7.4 million which was one-off in nature and was written off in 2013. The Group's regulatory expenses increased by approximately HK\$4.0 million which was resulted from an increase of administrative staff costs, legal and professional fees, business development and entertainment expenses and travelling during the period under reviewed.

#### Finance income

Finance income of the Group increased from approximately HK\$1.1 million for the six months ended 30 September 2013 to approximately HK\$2.3 million for the six months ended 30 September 2014. The increase was due to the average increase in bank deposits of the Group during the period.

#### Income tax expenses

The Group's income tax expense increased by approximately HK\$0.3 million from approximately HK\$7.5 million for the six months ended 30 September 2013 to approximately HK\$7.8 million for the six months ended 30 September 2014. The effective tax rate of the Group was approximately 19.8% for the six months ended 30 September 2014, which decreased by approximately 3.5% when compared with approximately 23.3% for the corresponding period in 2013. The decrease was attributable to the decrease of non-deductible initial public offering expenses before tax incurred during the period.

#### Interim dividend

The directors recommended the payment of an interim dividend of HK4.00 cent per share amounting to approximately HK\$13.6 million. The interim dividend will be paid on or around 30 December 2014 to shareholders whose names appear on the Register of Members of the Company on 17 December 2014.

#### Closure of registered members

The Register of Members of the Company will be closed from 15 December 2014 to 17 December 2014 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2014. 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 12 December 2014.

### FINANCIAL REVIEW *(continued)*

#### Capital structure, liquidity and financial resources

During the period under review, there was an increase in the capital structure through issuance of 28,000,000 new ordinary shares to enhance its capital base and broaden its shareholders' base. The total issued share capital of the Company as at 30 September 2014 consisted of 339,250,000 ordinary shares.

As at 30 September 2014, the Group's total cash including cash and cash equivalents, restricted cash and bank deposits with maturity over three months amounted to HK\$171.1 million, compared to HK\$166.0 million as at 31 March 2014. Most of the Group's liquid fund is placed as deposits at various banks.

At 30 September 2014, the Group had current assets of approximately HK\$342.4 million, (31 March 2014: approximately HK\$280.8 million) and current liabilities of approximately HK\$108.0 million (31 March 2014: approximately HK\$102.0 million). The current ratio (calculated as current assets to current liabilities) increased from 2.75 as at 31 March 2014 to 3.17 as at 30 September 2014.

For the six months ended 30 September 2014, the Group's net cash inflows of operating activities, net cash outflows of investing activities and net cash generated from financing activities amounted to approximately HK\$15.5 million, approximately HK\$9.9 million and approximately HK\$24.5 million respectively. The Group primarily uses cash inflows of operating activities and banking facilities to satisfy the need of the required working capital.

#### Borrowings and gearing ratio

The Group did not have any borrowing as at 30 September 2014 and 31 March 2014.

#### Exposure to fluctuations in exchange rate

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

The Group's transactions for our subsidiary in the PRC were mainly conducted in Renminbi ("RMB"), the functional currency of the subsidiary, and the major receivables and payables 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\$5.5 million, which was used in the acquisition of property, plant and equipment.

#### Charge on assets

As at 30 September 2014, the Group had pledged bank deposits amounting to HK\$40.6 million (31 March 2014: HK\$52.3 million) for issuance of bank acceptance notes.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW *(continued)*

#### Contingent liability

The Group had no significant contingent liabilities as at 30 September 2014 and 31 March 2014.

#### Capital commitments

As at 30 September 2014, the Group had capital commitments for the amount of approximately HK\$1.2 million (31 March 2014: HK\$2.1 million) for acquisition of property, plant and equipment.

#### Human resources

As at 30 September 2014, the Group employed 258 employees (as compared with 225 employees as at 31 March 2014). The total staff cost of approximately HK\$8.4 million incurred for the six months ended 30 September 2014 (as compared with approximately HK\$6.2 million for the six months ended 30 September 2013). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

The Company had also adopted a share option scheme as an incentives to Directors, eligible employees and participants.

### SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITION

The Group did not have any significant investments, material acquisition or disposal of subsidiaries or associates during the six months ended 30 September 2014.

### OUTLOOK

With over 276.7 million smoking population in 2013, the PRC has the largest cigarette consumer market in the world with a retail value at RMB1,269.4 billion. The retail sales value of cigarettes in the PRC is expected to reach RMB3,187.1 billion by 2018, representing a Compound Annual Growth of approximately 20.2% from 2013. As one of the major packaging material supplier to major cigarette brands in the industry, the Group is set to benefit from this steadily growing market.

Over the past decade, the cigarette industry in the PRC has undergone continuous consolidation. The numbers of cigarette brands has significantly decreased from 1,183 in 2001 to approximately 90 in 2013. The consolidation aims to nurture and build scalable national brands that are designated by the STMA. The Group has long been a trusted partner to two of these national backbone cigarette brands. With such successful track record and well-established relationships, the Group is ready to explore more business opportunities with other key cigarette brands in the PRC.

In addition to our geographical expansion plan, the Group is also aiming to diversify our product offering. In the period under review, the Group has entered into strategic cooperation agreements with three individual manufacturers of cigarette packing materials in Shenzhen, Dongguan and Kunming of the PRC. Pursuant to the agreement, we will supply transfer printing cardboard and transfer art paper to these manufacturers. This new business will bring in additional revenue and strengthen our footholds in the industry.

Looking forward, the Group will continue to improve our facilities and implement quality control to maintain quality of our product. At the same time, our management will continue to diversify our product portfolio and seek for suitable acquisition and investment opportunities to offer high growth potential and returns to create long-term shareholder value.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2014, the interests and short positions of the directors and chief executives of the Company in the shares of the Company which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"); or (b) were required under Section 352 of the SFO, to be entered in the register required to be kept by the Company referred to in that section; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchanges were as follows:

Name of Director	Capacity/Nature	No. of shares held	Percentage of interest
Mr. Zheng Andy Yi Sheng	Interests held by a controlled corporation	225,000,000 (Note)	66.32%

Note: These shares were held by SXD Limited, which is wholly owned by Mr. Zheng Andy Yi Sheng.

Save disclosed above, as at 30 September 2014, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2014, the interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

### Long position in the Shares of the Company

Name of shareholders	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
		(Note 1)	
SXD Limited	Beneficial interest	225,000,000 (L)	66.32
Mr. Zheng Andy Yi Sheng (Note 2)	Interest held by a controlled corporation	225,000,000 (L)	66.32

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. Mr. Zheng Andy Yi Sheng is the beneficial owner of the entire issued share capital of SXD Limited and is deemed to be interested in the 225,000,000 shares held by SXD Limited under the SFO.

Save as disclosed above, as at 30 September 2014, there was no other person so far known to our Directors or chief executives of the Company having an interest or short position in shares and underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 14 November 2013 for the purpose of providing incentives and rewards to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire at 13 November 2023 subject to early termination provisions contained in the Scheme. The Board may grant options to Eligible Participants to subscribe for shares in the Company subject to the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 21 days inclusive of the day on which offer was made, upon payment of HK\$1 by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the options; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

As at the date of this report, the total number of securities available for issue under the Scheme was 30,000,000 shares, which represented 10% of the issued share capital of the Company. From the adoption date of the Scheme on 14 November 2013 to 30 September 2014, no share option was granted, exercised, cancelled or lapsed, and there was no outstanding option under the Scheme as at 30 September 2014.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the six months ended 30 September 2014.



### 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 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 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 2014 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

#### Code provision A.2.1

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

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

#### Code provision A.4.1

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

### Changes to information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, there was no change to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) during the reporting period.

### 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 2014.



### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

During the six months ended 30 September 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **PUBLIC FLOAT**

Since its listing in the Hong Kong Stock Exchange on 6 December 2013, the Company has maintained the prescribed public float under the Hong Kong Listing Rules, based on the information that is publicly available to the Company and within the best knowledge of the directors.

### **AUDIT COMMITTEE**

The Audit Committee was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises Mr. Lau Kwok Hung (Chairman), Mr. Ma Wenming and Mr. Fok Po Tin, the three Independent Non-executive Directors of the Company.

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 September 2014.

### **APPRECIATION**

On behalf of the Board, I would like to extend my heartfelt gratitude to the full trust and enormous support of our shareholders, customers, suppliers, banks, business partners and employees, which set the Company on course for long-term success.

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

Hong Kong, 14 November 2014