



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
2015

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This Interim Report is printed on environmentally friendly paper

CORPORATE 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 ADVISER

On Hong Kong law
Peter K.S. Chan & CO

On Cayman Islands law
Appleby

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

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

PRINCIPAL BANKERS

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

WEBSITE

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

STOCK CODE

01689

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Huaxi Holdings Company Limited (the “Company”) together with its subsidiaries (together, the “Group”) is one of the major cigarette-related packaging materials manufacturers and suppliers in the People’s Republic of China (“the PRC”). We are a trusted 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).

In 2015, various adverse factors posed challenges to the cigarette industry business in the PRC. The Smoking Ban policy imposed a nationwide ban smoking in public places. The sales volume of tobacco in the first eight months in 2015 decreased by approximately 2.6% while the key brands continue to gain market share and the revenue of these top brands recorded an increase of approximately 4.5%. Being a trusted supplier of key brand cigarette manufacturers, the Board believes that we shall benefit from such prevailing market trend.

BUSINESS REVIEW

Revenue

Manufacture of cigarette package materials was still the core business in the period under review. For the six months ended 30 September 2015, the Group’s revenue was approximately HK\$126.8 million (for the six months ended 30 September 2014: HK\$143.6 million), representing a decrease of 11.7% as compared to the corresponding period of 2014. The decrease was mainly affected by the austerity smoking ban policy implemented by the Chinese Government.

The following table sets forth the breakdown of the Group’s revenue by product category for the six months ended 30 September 2015 and 2014:

	Six months ended 30 September			
	2015		2014	
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Inner frame paper	60,287	47.7	65,455	45.6
Cigarette box frame paper	24,650	19.4	20,873	14.6
Tipping paper	27,955	22.1	35,236	24.5
Cigarette trademark labels	3,611	2.8	5,355	3.7
Cigarette paper boxes	2,496	2.0	1,156	0.8
Transfer printing cardboard and transfer art paper	7,210	5.7	15,524	10.8
Others	545	0.3	–	–
	126,754	100.0	143,599	100.0

BUSINESS REVIEW *(continued)*

Gross Profit and Gross Profit Margin

Gross profit of the Group for the period under review was approximately HK\$47.8 million, representing a decrease of approximately 1.4% as compared with approximately HK\$48.5 million for the corresponding period in 2014. The Group's gross profit margin was approximately 37.7% for the six months ended 30 September 2015, slightly increased by 4.0% compared to 33.7% for the same period in 2014.

Distribution Costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs slightly decreased by approximately HK\$0.1 million from approximately HK\$1.4 million for the six months ended 30 September 2014 to HK\$1.3 million for the same period in 2015 in line with revenue.

Administrative Expenses

Administrative expenses increased by approximately HK\$5.0 million from approximately HK\$10.5 million for the six months ended 30 September 2014 to approximately HK\$15.5 million for the six months ended 30 September 2015. The increase was mainly due to the increase of staff costs in related to options granted in January 2015, approximately amounted to HK\$2.3 million and the development of new biotechnology business, mainly expenses of establishing office in Shanghai and Heilongjiang for approximately HK\$2.6 million during the period under reviewed.

Finance Income

Finance income of the Group decreased from approximately HK\$2.3 million for the six months ended 30 September 2014 to approximately HK\$1.9 million for the six months ended 30 September 2015. The decrease was arising from the average decrease in bank deposits of the Group during the period.

Income Tax Expense

The Group's income tax expense decreased by approximately HK\$1.7 million from approximately HK\$7.8 million for the six months ended 30 September 2014 to approximately HK\$6.1 million for the six months ended 30 September 2015 in line with the decrease of profit before tax expenses. The effective tax rate of the Group was approximately 20.9% for the six months ended 30 September 2015, which increased by approximately 1.1% when compared with approximately 19.8% for the same period in 2014.

BUSINESS REVIEW *(continued)*

Profit attributable to owner of the Company

The Group achieved a profit attributable to owners of the Company of HK\$24.4 million during the period under review, representing a decrease of 22.5% as compared to HK\$31.5 million in the same period in 2014. The decrease in the current period was primarily attributable to (i) non-cash items including the recognition of fair value of options granted by the Company as cost of staff and consultants; (ii) a decrease in market value of listed securities; and (iii) an increase in administrative costs to establish new companies in Shanghai and Heilongjiang.

Capital structure, liquidity and financial resources

As at 30 September 2015, the Group's total cash (included cash and cash equivalents, restricted cash and bank deposits with maturity over three months) amounted to HK\$104.6 million, compared to HK\$232.7 million as at 31 March 2015. The decrease was mainly resulted from investment in non-derivative wealth management products (value as at 30 September 2015 for HK\$103.1 million) instead of placed in bank deposit during the period under review.

At 30 September 2015, the Group had current assets of approximately HK\$342.8 million, (31 March 2015: approximately HK\$371.8 million) and current liabilities of approximately HK\$95.9 million (31 March 2015: approximately HK\$114.5 million). The current ratio (calculated as current assets to current liabilities) increased from 3.25 as at 31 March 2015 to 3.57 as at 30 September 2015.

For the six months ended 30 September 2015, the Group's net cash inflow of operating activities, net cash outflow of investing activities and financing activities amounted to approximately HK\$26.9 million, approximately HK\$70.4 million and approximately HK\$27.1 million respectively. The Group primarily used cash inflow of operating activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

The Group did not have any borrowing as at 30 September 2015 and 31 March 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

Exposure to fluctuations in exchange rate

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

The Group's transactions for our subsidiary in the PRC were mainly conducted in Renminbi ("RMB"), the functional currency of the subsidiary, and the major receivables and payables were denominated in RMB. Accordingly, the Group's exposure to foreign currency risk is insignificant.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately HK\$1.5 million, which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 September 2015, the Group had pledged bank deposits amounting to HK\$44.5 million (31 March 2015: HK\$52.1 million) for issuance of bank acceptant notes.

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

Contingent liability

The Group had no significant contingent liabilities as at 30 September 2015 and 31 March 2015.

Capital commitments

As at 30 September 2015, the Group had capital commitments for the amount of approximately HK\$2.3 million (31 March 2015: HK\$0.7 million) for acquisition of property, plant and equipment.

Employees and Remuneration Policy

As at 31 September 2015, the Group employed a total of 279 employees (31 March 2015: 269). Total staff costs (including Directors' emoluments) were approximately HK\$12.86 million for the six months ended 30 September 2015 (six months ended 30 September 2014: HK\$8.37 million) with staff benefits such as insurance, provident fund scheme, discretionary bonus and share option scheme. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year.

FUTURE OUTLOOK

Although the tobacco industry in China was undergoing an adverse environment due to the policy of Chinese Government, we will continue to enhance the relation with the existing customers and to develop new business with existing and other cigarette manufactures through new tender by our successful track record. Strategies will also be adopted to align the Group in satisfying the specific demands of our customers. The Group will also continue its efforts in cost cutting and productivity improvement. Recently, our subsidiary in Shantou wins a bid to supply packaging materials to a cigarette manufacturer in Shanghai in 2016 and 2017.

In order to broaden the Group's sources of income, we had diversified our business into the biotechnology sector. The Group has entered into a technology agreement with Yangtze Delta Region Institute of Tsinghua University, Zhejiang on the research of varieties of rice and wheat specialized for the cure of diabetes as well as the seedling cultivation and planting technology. High-resistant starch food for the diabetes is under final stage of research and development. These healthy foods will launch into the market soon.

Besides high starch resistant food products for diabetes, the Group also cooperates with Yangtze Delta Region Institute of Tsinghua University, Zhejiang in sewage treatment technology. Guangdong Foxin Environmental Management Company Limited (廣東佛欣環境治理有限公司) ("Guangdong Foxin") was incorporated in August 2015 which was principally engaged in water and environmental protection, river environmental management, sewage treatment and ecological restoration. Guangdong Foxin consists experienced professional team in sewage treatment and environment protection. The board of directors is of the view that diversification of the Group's business into green business will expand its income sources.

Looking forward, the Board will diversify our single line business into biotechnology business and also seek for suitable acquisition and investment opportunities to offer high growth potential and returns to create long-term shareholder value.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK4.0 cents (2014: HK4.0 cents) per share. The interim dividend will be paid on or around 15 January 2016 to shareholders whose names appear on the Register of Members of the Company on 4 January 2016.

CLOSURE OF REGISTERED MEMBERS

The register of members of the Company will be closed from 30 December 2015 to 4 January 2016 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2015. 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 29 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the period under review.

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 2015.

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

As at 30 September 2015, 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 ("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:

Long positions of Directors' interests in securities of the Company

Name of Directors	Capacity/Nature	Number of ordinary shares held	Number of Share options held ⁽³⁾	Approximate percentage of the total issued shares ⁽²⁾
Mr. Zheng Andy Yi Sheng	Interests held by a controlled corporation ⁽¹⁾	225,000,000	–	66.32%
Mr. Zheng Minsheng	Beneficial owner	–	600,000	0.18%
Mr. Lau Kwok Hung	Beneficial owner	–	200,000	0.06%
Mr. Ma Wenming	Beneficial owner	–	200,000	0.06%
Mr. Fok Po Tin	Beneficial owner	–	200,000	0.06%

Notes:

- (1) These shares were held by SXD Limited, a controlled corporation of Mr. Zheng Andy Yi Sheng.
- (2) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2015.
- (3) Further details of the share options are set out in the section headed "Share Option Scheme".

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Save as disclosed above, as at 30 September 2015, 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 associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) 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 the directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

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 attracting and retaining the best available personnel, providing additional incentive 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 on 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.

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

Options granted must be taken up within 7 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.

On 15 January 2015, the Board granted a total of 30,000,000 share options under the Share Option Scheme adopted by the Company on 14 November 2013 to certain eligible persons to subscribe, in aggregate, for up to 30,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company subject to acceptance of the eligible persons. The exercise price is HK\$2.58 per ordinary share. The validity period of share options is 5 years commencing from 15 January 2015 and expiring on 14 January 2020 (both days inclusive).

Details of outstanding options over new shares of the Company at the beginning and at the end of the reporting period which have been granted under the Scheme are as follows:

Category of grantees	Date of grant of share options	Exercisable period (Note 1)	Exercise price (HK\$)	Number of options				Balance at the end of the period
				Balance at beginning of the period	Number of options granted	Number of options exercised	Number of options lapsed	
Directors								
Mr. Zheng Minsheng	15 January 2015	15 January 2016–14 January 2020	2.58	600,000	–	–	–	600,000
Mr. Lau Kwok Hung	15 January 2015	15 January 2016–14 January 2020	2.58	200,000	–	–	–	200,000
Mr. Ma Wenming	15 January 2015	15 January 2016–14 January 2020	2.58	200,000	–	–	–	200,000
Mr. Fok Po Tin	15 January 2015	15 January 2016–14 January 2020	2.58	200,000	–	–	–	200,000
Total — Directors				1,200,000	–	–	–	1,200,000
Employees	15 January 2015	15 January 2016–14 January 2020	2.58	24,800,000	–	–	(300,000)	24,500,000
Consultants	15 January 2015	15 January 2016–14 January 2020	2.58	4,000,000	–	–	–	4,000,000
Total				30,000,000	–	–	(300,000)	29,700,000

OTHER INFORMATION

SHARE OPTION SCHEME *(continued)*

Note:

- (1) The option period of the options granted on 15 January 2015 is 5 years with vesting period from 1 to 4 years. The options vest in 4 installments: (i) 25% after 1 year from the date of grant; (ii) 25% after 2 years from the date of grant; (iii) 25% after 3 years from the date of grant; and (iv) 25% after 4 years from the date of grant.

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

As at 30 September 2015, 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	Nature of interest	Number of ordinary shares held <i>(Note (i))</i>	Approximate percentage of the total issued shares
SXD Limited	Beneficial interest	225,000,000 (L)	66.32%
Mr. Zheng Andy Yi Sheng <i>(Note ii)</i>	Interest held by a controlled corporation	225,000,000 (L)	66.32%

Notes:

- (i) The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
- (ii) 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 2015, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, which 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 2015.

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 2015 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.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

(continued)

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 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the information that was publicly available and to the best belief and knowledge of the Directors, the Company had maintained the prescribed public float throughout the six months ended 30 September 2015 and up to the date of this report as required under the Listing Rules.

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 2015.

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

Hong Kong, 27 November 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
	Note	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	6	126,754	143,599
Cost of sales	7	(78,963)	(95,147)
Gross profit		47,791	48,452
Distribution costs	7	(1,315)	(1,352)
Administrative expenses	7	(15,500)	(10,530)
Other (losses)/gains — net		(3,483)	404
Operating profit		27,493	36,974
Finance income		1,890	2,252
Profit before income tax		29,383	39,226
Income tax expense	8	(6,131)	(7,763)
Profit for the period		23,252	31,463
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		(11,846)	234
Other comprehensive income for the period		(11,846)	234
Total comprehensive income for the period		11,406	31,697
Profit/(loss) attributable to:			
Owners of the Company		24,380	31,463
Non-controlling interests		(1,128)	—
		23,252	31,463
Total comprehensive income attributable to:			
Owners of the Company		12,739	31,697
Non-controlling interests		(1,333)	—
		11,406	31,697
Earnings per share			
— Basic and diluted	9	HK7.19 cents	HK10.01 cents
		HK\$'000	HK\$'000
Dividends	10	13,570	13,570

The notes on pages 21 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	46,861	49,882
Prepaid operating lease		6,467	6,784
Deferred tax assets		2,085	1,083
Prepayments for non-current assets	12	13,375	13,142
		68,788	70,891
Current assets			
Inventories		34,871	33,075
Trade receivables	13	86,224	92,005
Prepayments and other receivables	14	2,839	14,005
Financial assets at fair value through profit or loss		11,178	–
Bank deposits with maturity over three months		–	42,674
Other financial assets	15	103,093	–
Restricted cash at banks	16	44,536	52,088
Cash and cash equivalents		60,015	137,904
		342,756	371,751
Total assets		411,544	442,642
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	3,393	3,393
Other reserves		193,357	202,698
Retained earnings			
— Proposed dividends		13,570	27,140
— Others		93,661	82,851
		303,981	316,082
Non-controlling interests		6,378	7,711
Total equity		310,359	323,793

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		5,303	4,388
Current liabilities			
Trade and notes payable	19	71,829	84,183
Other payables	20	15,809	20,587
Current income tax liabilities		8,244	9,691
		95,882	114,461
Total liabilities		101,185	118,849
Total equity and liabilities		411,544	442,642
Net current assets		246,874	257,290
Total assets less current liabilities		315,662	328,181

The notes on pages 21 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000 (Note 17)	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Six months ended						
30 September 2015						
(Unaudited)						
Balance at 1 April 2015	3,393	202,698	109,991	316,082	7,711	323,793
Comprehensive income						
— Profit for the period	—	—	24,380	24,380	(1,128)	23,252
— Other comprehensive income	—	(11,641)	—	(11,641)	(205)	(11,846)
Total comprehensive income	—	(11,641)	24,380	12,739	(1,333)	11,406
Value of employee services under share option scheme	—	2,300	—	2,300	—	2,300
Dividends	—	—	(27,140)	(27,140)	—	(27,140)
Balance at 30 September 2015	3,393	193,357	107,231	303,981	6,378	310,359
Six months ended						
30 September 2014						
(Unaudited)						
Balance at 1 April 2014	3,113	147,980	81,629	232,722	—	232,722
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
Issuance of shares	280	47,320	—	47,600	—	47,600
Share issuance expenses	—	(644)	—	(644)	—	(644)
Dividends	—	—	(21,788)	(21,788)	—	(21,788)
Balance at 30 September 2014	3,393	194,890	91,304	289,587	—	289,587

The notes on pages 21 to 40 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 September	
	<i>Note</i>	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	21	34,165	22,812
PRC enterprise income tax paid		(7,217)	(7,280)
Net cash generated from operating activities		26,948	15,532
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,126)	(5,466)
Decrease in restricted cash		7,552	11,720
Decrease in bank deposits with maturity over three months		42,674	13,118
Increase in other financial assets		(103,093)	(31,924)
Purchase of financial assets at fair value through profit or loss		(18,546)	(122)
Disposal of financial assets at fair value through profit or loss		1,260	–
Interest income derived from bank deposits		1,037	2,810
Interest income from other financial assets		853	–
Net cash used in investing activities		(70,389)	(9,864)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cash flows from financing activities			
Dividends paid	10	(27,140)	(21,788)
Proceeds from issuance of ordinary shares		–	47,600
Costs in relation to issuance of ordinary shares		–	(644)
Decrease in amounts due to related parties		–	(714)
Net cash (used in)/generated from financing activities		(27,140)	24,454
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		137,904	53,226
Effect of change in exchange rate		(7,308)	(116)
Cash and cash equivalents at end of the period		60,015	83,232

The notes on pages 21 to 40 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 and trading of agricultural products 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 2015 ("Interim Financial Information") is presented in thousands of Hong Kong dollar ("HK\$"), unless otherwise stated. This Interim Financial Information was approved for issue on 27 November 2015.

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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 March 2015.

(a) Amended standards and interpretations adopted by the Group

Amendment to HKAS19	Regarding defined benefit plans: employee contributions
Annual improvements 2012	Changes from the 2010–2012 cycle of the annual improvements project
Annual improvements 2013	Changes from the 2011–2013 cycle of the annual improvements project

Adoption of the above amendments does not have a significant impact on these interim condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(continued)

- (b) The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 April 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

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

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

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 2015.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchanges 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 "Board").

The Interim Financial Information has not included 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 2015.

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

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, other financial assets, trade receivables and other receivables.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

4.2 Credit risk *(continued)*

As at 30 September 2015, 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 2015: same).

Other financial assets referred to investments purchased from financial institutions in the PRC with fixed or determinable repayment periods of less than 14 days, fixed or determinable rates of return and treasury bonds of the PRC government as the collateral. Management believes these financial institutions are of high credit quality and there are government bonds as collateral; there is no significant credit risk on the Group's other financial assets.

As at 30 September 2015, approximately 93.0% of the Group's trade receivables were due from the top five largest customers (31 March 2015: 92.6%), while approximately 74.0% of the Group's trade receivables were due from the largest customer (31 March 2015: 65.6%).

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 2015 (six months ended 30 September 2014: nil). Further quantitative disclosures in respect of trade receivables and other receivables are set out in Note 13 and 14.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The difference levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 September 2015:

	Level 1 HK\$'000	Total HK\$'000
Assets		
— Financial assets at fair value through profit or loss	11,178	11,178

No financial assets that were measured at fair value existed at 31 March 2015.

There were no transfers between level 1, 2 and 3 during the period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

4.3 Fair value estimation *(continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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.

In previous years, the Group is principally engaged in the manufacture and sales of packaging materials for cigarette in the PRC (the "Cigarette Packaging Business"). Therefore, management reviews the operating results of the business as one reportable segment. During the current period, the Group expanded into the business of trading of agricultural products which is identified as another reportable segment. For the six months ended 30 September 2015, all of the Group's revenue of approximately HK\$126.8 million and gross profit of approximately HK\$47.8 million was contributed by Cigarette Packaging Business as the trading of agricultural products is at its initial development stage. Accordingly, in the opinion of the directors of the Company, the presentation of segment information by reportable segments would provide no additional useful information to the users of these financial statements.

For the six months ended 30 September 2015, 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 2014: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

As at 30 September 2015, majority of the non-current assets were located in the PRC (31 March 2015: same).

6 REVENUE

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Sales of cigarette packaging products	126,209	143,599
Sales of other products	545	–
	126,754	143,599

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 2015 (six months ended 30 September 2014: same):

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Customer A	51.3%	54.6%
Customer B	21.3%	18.2%
	72.6%	72.8%

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	
	2015 HK\$'000	2014 HK\$'000
Cost of inventories sold	70,904	87,813
Staff costs (including directors' emoluments)	12,859	8,367
Depreciation and amortisation	2,870	2,635
Utilities	1,770	1,946
Business tax and other taxes	1,489	1,358
Transportation expenses	1,044	1,009
Operating lease rentals in respect of rented premises	706	586
Travelling expenses	480	392
Office expenses	355	319
Other expenses	3,301	2,604
Total cost of sales, distribution costs and administrative expenses	95,778	107,029

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 INCOME TAX EXPENSE *(continued)*

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

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

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Current income tax		
— PRC corporate income tax	6,218	6,066
Deferred income tax		
— PRC corporate income tax	(1,002)	144
— Withholding income tax for profit to be distributed from the PRC	915	1,553
	6,131	7,763

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2015 (six months ended 30 September 2014: 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	
	2015	2014
Profit attributable to owners of the Company (HK\$'000)	24,380	31,463
Weighted average numbers of ordinary shares in issue	339,250,000	314,206,000
Basic earnings per share	HK7.19 cents	HK10.01 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares being ordinary shares to be issued under the share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the share option scheme. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share option scheme.

For the period ended 30 September 2015, as the average market share price of the ordinary shares during the period was lower than the subscription price of the share options, diluted earnings per share is the same as basic earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 DIVIDENDS

A final dividend of HK8.0 cents per ordinary share in respect of the year ended 31 March 2015, totalling approximately HK\$27,140,000, were paid during the period.

On 27 November 2015, the Board has resolved to declare an interim dividend of HK4.0 cents per share (2014: HK4.0 cents per share), which is payable on or around 15 January 2016 to shareholders who are on the register at 4 January 2016. This interim dividend, amounting to HK\$13,570,000 (2014: HK\$13,570,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 March 2016.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK\$'000	Machinery HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 April 2015				
Cost	38,652	48,483	2,329	89,464
Accumulated depreciation	(16,344)	(22,003)	(1,235)	(39,582)
Net book amount	22,308	26,480	1,094	49,882
Six months ended 30 September 2015				
Opening net book amount	22,308	26,480	1,094	49,882
Exchange differences	(780)	(873)	(30)	(1,683)
Additions	146	972	333	1,451
Depreciation	(798)	(1,785)	(206)	(2,789)
Closing net book amount	20,876	24,794	1,191	46,861
At 30 September 2015				
Cost	37,446	47,816	2,602	87,864
Accumulated depreciation	(16,570)	(23,022)	(1,411)	(41,003)
Net book amount	20,876	24,794	1,191	46,861

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Plant and buildings HK\$'000	Machinery HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 April 2014				
Cost	38,304	40,016	2,276	80,596
Accumulated depreciation	(14,598)	(18,338)	(876)	(33,812)
Net book amount	23,706	21,678	1,400	46,784
Six months ended 30 September 2014				
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	23,058	26,285	1,241	50,584
At 30 September 2014				
Cost	38,333	46,368	2,278	86,979
Accumulated depreciation	(15,275)	(20,083)	(1,037)	(36,395)
Net book amount	23,058	26,285	1,241	50,584

During the six months ended 30 September 2015, all plant and buildings were located in the PRC (six months ended 30 September 2014: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 PREPAYMENTS FOR NON-CURRENT ASSETS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Prepayment for an intangible asset	12,183	12,625
Prepayments for property, plant and equipment	1,192	517
	13,375	13,142

13 TRADE RECEIVABLES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade receivables	86,224	92,005

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Less than 30 days	73,173	89,913
31 days to 60 days	11,032	1,653
61 days to 90 days	1,240	–
91 days to 180 days	742	252
Over 180 days	37	187
	86,224	92,005

As at 30 September 2015, trade receivables of HK\$779,000 (31 March 2015: HK\$439,000) were past due but not impaired. These relate to one independent customer for whom there is no financial difficulty and the executive directors, based on past experience, consider that those amounts can be recovered.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 TRADE RECEIVABLES *(continued)*

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Denominated in RMB	86,224	91,044
Denominated in HK\$	–	961
	86,224	92,005

14 PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Advance to suppliers	901	60
Other prepayments	1,187	503
Other receivables	751	13,442
	2,839	14,005

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Denominated in RMB	2,429	13,316
Denominated in HK\$	410	689
	2,839	14,005

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 OTHER FINANCIAL ASSETS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Other financial assets	103,093	–

Other financial assets comprised certain non-derivative wealth management products with maturity date of less than 14 days from a financial institution in the PRC.

16 RESTRICTED CASH AT BANKS

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Denominated in RMB	44,536	52,088

As at 30 September 2015, the Group placed cash deposits of approximately HK\$44,536,000 (31 March 2015: HK\$52,088,000) 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.

17 SHARE CAPITAL

Authorised share capital	Number of ordinary shares	Nominal value of ordinary shares HK\$	Equivalent nominal value of ordinary shares HK\$
At 1 April 2014 and 2015, 30 September 2014 and 2015	2,000,000,000	0.01	20,000,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 SHARE CAPITAL *(continued)*

Ordinary shares, issued and fully paid:	Number of issued shares	Amount HK\$
At 1 April 2015 and 30 September 2015	339,250,000	3,392,500
At 1 April 2014	311,250,000	3,112,500
Issuance of ordinary shares <i>(Note (i))</i>	28,000,000	280,000
At 30 September 2014	339,250,000	3,392,500

- (i) 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.

18 SHARE-BASED COMPENSATION RESERVES

On 15 January 2015, the Company granted share options to the certain directors, employee and consultants of the Group under a share option scheme (the "Share Option Scheme"). Under the Share Option Scheme, the option holders are entitled to acquire aggregate of 30,000,000 ordinary shares of the Company at an exercise price of HK\$2.58 each. All the options under the Share Option Scheme will not be exercisable within the first 12 months after the grant date as of 15 January 2015.

Particulars of share options as at 30 September 2015 and 31 March 2015 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at	
			30 September 2015	31 March 2015
1 year from 15 January 2015	15 January 2016	HK\$2.58	7,425,000	7,500,000
2 years from 15 January 2015	15 January 2017	HK\$2.58	7,425,000	7,500,000
3 years from 15 January 2015	15 January 2018	HK\$2.58	7,425,000	7,500,000
4 years from 15 January 2015	15 January 2019	HK\$2.58	7,425,000	7,500,000
			29,700,000	30,000,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 SHARE-BASED COMPENSATION RESERVES *(continued)*

Movement in the number of share options outstanding is as follows:

	Six months ended 30 September	
	2015	2014
At 1 April 2015	30,000,000	–
Forfeited	(300,000)	–
At 30 September 2015	29,700,000	–

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of options granted was HK\$0.33 per option, which was determined using the Binomial Option Pricing Model by an independent valuer.

The total expense recognised for employee services received in respect of the Share Option Scheme for the six months ended 30 September 2015 was HK\$2,300,000 (six months ended 30 September 2014: nil).

19 TRADE AND NOTES PAYABLE

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Trade payables <i>(Note (a))</i>	26,781	31,416
Notes payable — bank acceptance notes	45,048	52,767
	71,829	84,183

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 TRADE AND NOTES PAYABLE *(continued)*

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within 90 days	25,790	30,001
90 to 180 days	91	501
Over 180 days	900	914
	26,781	31,416

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

20 OTHER PAYABLES

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Accrual for staff costs and allowances	3,306	3,258
Other tax payables	9,838	13,668
Other accruals	2,665	3,661
	15,809	20,587

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Denominated in RMB	15,328	19,456
Denominated in HK\$	481	1,131
	15,809	20,587

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to net cash generated from operations.

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Profit before income tax	29,383	39,226
Adjustments for:		
— Depreciation	2,789	2,549
— Provision for impairment of inventories	—	(279)
— Amortisation of prepaid operating lease	81	86
— Other losses/(gains)	3,483	(404)
— Finance income	(1,890)	(2,252)
— Value of employee services costs under share option scheme	2,300	—
Changes in working capital:		
— Inventories	(1,796)	(3,356)
— Trade receivables	5,781	(17,631)
— Prepayments and other receivables	11,166	(3,142)
— Trade and notes payable	(12,354)	8,662
— Other payables	(4,778)	(647)
Cash generated from operations	34,165	22,812

22 CAPITAL COMMITMENTS

As at 30 September 2015 and 31 March 2015, the Group had the following capital commitments:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided	2,294	674

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name	Relationship
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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Other payables		
— Mr. Zheng Andy Yi Sheng	—	625
— Mr. Zheng Minsheng	200	100
	200	725

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

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Maximum amount outstanding for the period	100	—

(d) Key management compensations

	Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Salaries and other employee benefits	1,465	1,287
Pension costs	52	26
Share-based payment	310	—
	1,827	1,313