



HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1689



2016

INTERIM REPORT

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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 (*Chairman*)

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

P. O. Box 1350, Clifton House

75 Fort Street

Grand Cayman, KY1-1108

Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

P. O. Box 1350, Clifton House

75 Fort Street

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 Limited

Bank of China Limited

China Minsheng Banking Corporation Limited

Industrial & Commercial Bank of China Limited

WEBSITE

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

STOCK CODE

01689

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue

Tobacco industry in PRC was affected by the economic environment policy in the PRC and the government had launched a number of antismoking campaign in the past. In the first half year, the sales volume of tobacco market was dropped by 6.5% to 24.4 million master cases.

For the period under review, the Group recorded a revenue of approximately HK\$111.89 million (for the six months ended 30 September 2015: HK\$126.75 million) representing a decrease of approximately 11.7% compared with the corresponding period in last year. The Group diversified its business into environment treatment and biotechnology field in last financial year. Manufacture and sales of cigarette package materials was still our core business which accounted for approximately HK\$92.47 million (for the six months ended 30 September 2015: HK\$126.75 million) representing approximately 82.6% of the total revenue which was decreased by HK\$34.28 million as compared to the corresponding period of 2015. The decrease was mainly resulted from the decrease in sales volume of cigarette market and our customers delay in loading new orders due to the new rules on cigarette package labeling came into effect on 1 October 2016. Our new business lines, environment treatment project and sales of biotechnology products, contributed revenue amounting to HK\$17.92 million and HK\$1.50 million, representing approximately 16.0% and 1.4% respectively of the total revenue.

Gross Profit

Gross profit of the Group for the period under review was approximately HK\$43.62 million, decreased by HK\$4.17 million as compared with approximately HK\$47.79 million for the corresponding period in 2015. During the period under review, The Group's gross profit margin for sales of cigarette package materials was approximately 41.8% for the six months ended 30 September 2016, increased by 4.1% compared to 37.7% for the same period in 2015. The gross profit, revenue from the environment treatment contract less all costs that are attributable to contract activity, was approximately HK\$5.36 million, representing 29.9% of the revenue (for the six months ended 30 September 2015: Nil). Being a new participant of the health foods market, sales of biotechnology products recorded a gross loss of approximately HK\$0.40 million.

Distribution Costs

Distribution costs primarily consist of transportation expenses for the delivery of products to customers. The total distribution costs for the six months ended 30 September 2016 was approximately HK\$1.12 million decreased by approximately HK\$0.20 million from HK\$1.32 million for the six months ended 30 September 2015. Decrease in distribution costs was resulted from decrease in travelling expenses of our staff incurred for the sales and distribution activities in line with sales volume during current period.

BUSINESS REVIEW *(continued)*

Administrative Expenses

Administrative expenses slightly decreased by approximately HK\$0.67 million from approximately HK\$15.50 million for the six months ended 30 September 2015 to approximately HK\$14.83 million for the six months ended 30 September 2016. The decrease was mainly due to the continuous efforts of the Group's tighter cost control measures during the period.

Finance Income

Finance income of the Group for the six months ended 30 September 2016 was approximately HK\$1.59 million which was decreased by approximately HK\$0.30 million from approximately HK\$1.89 million for the corresponding period in 2015. The decrease was arising from the decrease in bank deposits of the Group during the period.

Income Tax Expense

The Group's income tax expense increased by approximately HK\$0.51 million from approximately HK\$6.13 million for the six months ended 30 September 2015 to approximately HK\$6.64 million for the six months ended 30 September 2016. The effective tax rate of the Group was approximately 23.5% for the six months ended 30 September 2016, which was increased by approximately 2.6% when compared with approximately 20.9% for the same period in 2015. Increase in effective tax rate was mainly resulted from the increase in certain non-deductible expenses and losses from new business.

Profit attributable to owner of the Company

For the period under review, profit attributable to owners of the Company was approximately HK\$21.32 million, representing a decrease of approximately 12.6% as compared to approximately HK\$24.38 million in the same period in 2015. The decrease was mainly due to the drop of turnover from sales of cigarette package materials.

Capital structure, liquidity and financial resources

As at 30 September 2016, the Group's total cash, included cash and cash equivalents and restricted cash at banks, amounted to approximately HK\$157.57 million. Most of the Group's liquid fund is placed as deposits at various banks.

At 30 September 2016, the Group had current assets of approximately HK\$317.07 million (31 March 2016: HK\$337.90 million) and current liabilities of approximately HK\$70.67 million (31 March 2016: HK\$83.84 million). The current ratio (calculated as current assets to current liabilities) increased from 4.03 as at 31 March 2016 to 4.49 as at 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

Capital structure, liquidity and financial resources *(continued)*

For the six months ended 30 September 2016, the Group's net cash generated from operating activities, investing activities and net cash used in financing activities amounted to approximately HK\$0.66 million, approximately HK\$27.62 million and approximately HK\$22.36 million respectively. The Group primarily uses cash inflow of operating activities and investing activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

The Group did not have any borrowing as at 30 September 2016 and 31 March 2016.

Exposure to fluctuations in exchange rate

The Group's exposure to foreign currency risk related primarily to certain cash at banks, financial assets at fair value through profit or loss, 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 manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately HK\$3.72 million, (for the six months ended 30 September 2015: HK\$1.50 million) which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 September 2016, the Group had pledged bank deposits amounting to HK\$17.83 million (31 March 2016: HK\$39.19 million) for issuance of bank acceptance notes.

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

Contingent liability

The Group has no significant contingent liabilities as at 30 September 2016 and 31 March 2016.

Capital commitments

As at 30 September 2016, the Group had capital commitments for the amount of approximately HK\$0.14 million (31 March 2016: HK\$2.16 million) for acquisition of property, plant and equipment.

HUMAN RESOURCES

As at 30 September 2016, the Group had 272 employees. The total staff costs of the Group for the six months ended 30 September 2016 were approximately HK\$11.37 million, including directors' emoluments (for the six months ended 30 September 2015: HK\$12.86 million). The Group provides its employees with competitive remuneration packages which were determined by their performance, qualification, experience and continued to review with reference to the level and composition of pay and general market condition. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes, and discretionary incentive and share option schemes.

FUTURE OUTLOOK

By estimation, in the coming years, the general consensus is that China's economic growth will continue to slow down and the overall market competition remained intensive. The Chinese tobacco industry is the "slowing behemoth" and, accordingly, there are major output adjustments in the cigarette packing material supply sector. Despite such, manufacture and sales of cigarette package materials business is still a stable contributor to the Group's profit. Management expects that after the depletion of customers' inventory level, demand of cigarette package materials will remain stable in the future. We will dedicate more efforts to bolster relations with existing customers to strengthen our customers' loyalty and keep on exploring new markets to expand our market share and enhance our market position. Besides, we will keep on tight control of quality and operations to maintain efficiency and implement various cost control measures.

In order to maximize returns to the shareholders and to diversify the Group's income stream, we commenced our business into the environmental treatment of rivers and lakes in early 2016. Progress of our first eco-rehabilitation contract is on track to meet contract targets.

Looking forward, the Group will continue to enhance its operational capabilities and improve the overall standards of its operations. We are seeking good opportunities to raise additional funds to strengthen the Group's financial position and cater for the needs of our future business development. The Board believes that it is in the interests of the Group and its shareholders to diversify its business and to actively pursue new business for the growth of the Group.

OTHER INFORMATION

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK4.00 cents (2015: HK4.00 cents) per share. The interim dividend will be paid on or around 19 January 2017 to shareholders whose names appear on the Register of Members of the Company on 3 January 2017.

CLOSURE OF REGISTERED MEMBERS

The register of members of the Company will be closed from 29 December 2016 to 3 January 2017 (both days inclusive) for the purpose of determining the entitlement to the interim dividend in respect of the six months ended 30 September 2016. 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 28 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

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 2016.

OTHER INFORMATION

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

As at 30 September 2016, 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 Director	Capacity/Nature	Number of ordinary shares held	Number of Share options held ⁽³⁾	Percentage of interest ⁽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 2016.
- (3) Further details of the share options are set out in the section headed "Share Option Scheme".

OTHER INFORMATION

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

Save as disclosed above, as at 30 September 2016, 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 option period 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	Granted during the period	Number of options exercised	Number of options lapsed	
Directors								
Mr. Zheng Minsheng	15.1.2015	15.1.2016–14.1.2020	2.58	600,000	–	–	–	600,000
Mr. Lau Kwok Hung	15.1.2015	15.1.2016–14.1.2020	2.58	200,000	–	–	–	200,000
Mr. Ma Wenming	15.1.2015	15.1.2016–14.1.2020	2.58	200,000	–	–	–	200,000
Mr. Fok Po Tin	15.1.2015	15.1.2016–14.1.2020	2.58	200,000	–	–	–	200,000
Total — Directors				1,200,000	–	–	–	1,200,000
Employees in aggregate	15.1.2015	15.1.2016–14.1.2020	2.58	22,210,000	–	–	740,000	21,470,000
Other participants								
in aggregate	15.1.2015	15.1.2016–14.1.2020	2.58	4,000,000	–	–	–	4,000,000
Total				27,410,000	–	–	740,000	26,670,000

OTHER INFORMATION

SHARE OPTION SCHEME *(continued)*

Note:

- (1) The option period of the options granted on 15 January 2015 is 5 years whereas the vesting period is 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 2016, 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 share capital
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 2016 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the board (the “Board”) of directors (the “Directors”) of the Company believes that effective governance is essential to the maintenance of the Company’s competitiveness and to its healthy growth. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the six months ended 30 September 2016 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 there is sufficient balance of power and authority between the Board and the management of the Company.

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. During the period under review, an Independent Non-executive Director was unable to attend the general meetings of the Company as he was out of town or had other engagements.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

(continued)

Code Provision C.1.2

Under Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13. During the period under review, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including Independent Non-executive Directors) of the Board quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2016.

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 2016.

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

There has been no change in the information of Directors and supervisors of the Company that is required to be disclosed under Rules 13.51B(1) of the Listing Rules since the publication of the 2016 annual report of the Company.

OTHER INFORMATION

MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

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 to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2016.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "Audit Committee") has reviewed the Group's interim results for the six months ended 30 September 2016. The Audit Committee comprises all of the three independent non-executive directors, namely Mr. Lau Kwok Hung Chairman, Mr. Fok Po Tin and Mr. Ma Wenming.

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

Hong Kong, 25 November 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
	<i>Note</i>	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	6	111,890	126,754
Cost of sales	7	(68,271)	(78,963)
Gross profit		43,619	47,791
Distribution costs	7	(1,116)	(1,315)
Administrative expenses	7	(14,827)	(15,500)
Other losses — net	8	(961)	(3,483)
Operating profit		26,715	27,493
Finance income		1,588	1,890
Profit before income tax		28,303	29,383
Income tax expense	9	(6,638)	(6,131)
Profit for the period		21,665	23,252
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation difference		(10,024)	(11,846)
Other comprehensive income for the period		(10,024)	(11,846)
Total comprehensive income for the period		11,641	11,406

CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

		Six months ended 30 September	
	<i>Note</i>	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Profit/(loss) attributable to:			
Owners of the Company		21,319	24,380
Non-controlling interests		346	(1,128)
		21,665	23,252
Total comprehensive income attributable to:			
Owners of the Company		11,442	12,739
Non-controlling interests		199	(1,333)
		11,641	11,406
Earnings per share			
— Basic	10	HK6.28 cents	HK7.19 cents
— Diluted	10	HK6.19 cents	HK7.19 cents

The notes on pages 21 to 46 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	43,544	43,937
Prepaid operating lease		6,012	6,291
Deferred tax assets		2,266	2,063
Prepayments for non-current assets	13	11,614	13,361
		63,436	65,652
Current assets			
Inventories		33,601	33,248
Trade and notes receivable	14	82,313	76,033
Amounts due from customer for contract work	15	10,281	2,380
Prepayments and other receivables	16	3,950	8,373
Financial assets at fair value through profit or loss		29,359	38,049
Restricted cash at banks	17	17,828	39,194
Cash and cash equivalents	18	139,742	140,625
		317,074	337,902
Total assets		380,510	403,554

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	3,393	3,393
Other reserves		182,634	191,600
Retained earnings		114,594	113,630
— Proposed dividends		13,570	20,355
— Others		101,024	93,275
		300,621	308,623
Non-controlling interests		4,650	4,451
Total equity		305,271	313,074
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		4,570	6,641
Current liabilities			
Trade and notes payable	21	44,975	60,946
Other payables and accruals	22	16,868	14,502
Amount due to a related party		—	2,000
Current income tax liabilities		8,826	6,391
		70,669	83,839
Total liabilities		75,239	90,480
Total equity and liabilities		380,510	403,554

The notes on pages 21 to 46 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 19)	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
Six months ended 30 September 2016 (Unaudited)						
Balance at 1 April 2016	3,393	191,600	113,630	308,623	4,451	313,074
Comprehensive income						
— Profit for the period	—	—	21,319	21,319	346	21,665
— Other comprehensive income	—	(9,877)	—	(9,877)	(147)	(10,024)
Total comprehensive income	—	(9,877)	21,319	11,442	199	11,641
Value of employee services under share option scheme	—	911	—	911	—	911
Dividends	—	—	(20,355)	(20,355)	—	(20,355)
Balance at 30 September 2016	3,393	182,634	114,594	300,621	4,650	305,271
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

The notes on pages 21 to 46 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 September	
	Note	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	23	7,140	34,165
PRC enterprise income tax paid		(6,476)	(7,217)
Net cash generated from operating activities		664	26,948
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,357)	(2,126)
Decrease in restricted cash at banks		21,366	7,552
Decrease in bank deposits with maturity over three months		–	42,674
Increase in other financial assets		–	(103,093)
Purchase of financial assets at fair value through profit or loss		(7,685)	(18,546)
Disposal of financial assets at fair value through profit or loss		14,709	1,260
Interest income derived from bank deposits		334	1,037
Interest income from other financial assets		1,254	853
Net cash generated from/(used in) investing activities		27,621	(70,389)
Cash flows from financing activities			
Dividends paid	11	(20,355)	(27,140)
Decrease in amount due to a related party		(2,000)	–
Net cash used in financing activities		(22,355)	(27,140)
Net increase/(decrease) in cash and cash equivalents			
		5,930	(70,581)
Cash and cash equivalents at beginning of the period		140,625	137,904
Effect of change in exchange rate		(6,813)	(7,308)
Cash and cash equivalents at end of the period		139,742	60,015

The notes on pages 21 to 46 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 (i) manufacturing and sales of cigarette packing materials in the People's Republic of China (the "PRC"); (ii) development and sales of functional food products; and (iii) environmental treatment business.

The Company's shares were listed 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 2016 ("Interim Financial Information") is presented in thousands of Hong Kong dollar ("HK\$"), unless otherwise stated. This Interim Financial Information was approved for issue on 25 November 2016.

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 2016, 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 2016.

(a) Amended standards and interpretations adopted by the Group

Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendment to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

Adoption of the above amendments does not have a significant impact on the Interim Financial Information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(continued)

- (b) The following new standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 12	Income taxes	1 January 2017
HKAS 7	Statement of cash flows	1 January 2017
HKFRS15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKRS 16	Lease	1 January 2019
HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management has preliminarily assessed the impact of the above new standards 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 coming year.

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

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 2016.

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 finance 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 2016.

There have been no changes in the 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, trade and notes receivable and other receivables.

As at 30 September 2016, approximately 76.7% of the Group's bank deposits are deposited with major financial institutions incorporated in the PRC, while 23.3% of the Group's bank deposits are deposited with major financial institutions incorporated in Hong Kong, which management believes are of high credit quality without significant credit risk (31 March 2016: substantially all in the PRC).

As at 30 September 2016, approximately 97.8% of the Group's trade receivables were due from the top five largest customers (31 March 2016: 89.2%), while approximately 86.9% of the Group's trade receivables were due from the largest customer (31 March 2016: 65.1%).

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

4.2 Credit risk *(continued)*

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 2016 (six months ended 30 September 2015: nil). Further quantitative disclosures in respect of trade and notes receivable and other receivables are set out in Note 14 and 16.

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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

4.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets that are measured at fair value at 30 September 2016:

	Level 1 HK\$'000	Total HK\$'000
Assets		
— Financial assets at fair value through profit or loss	29,359	29,359

The following table presents the Group's financial assets that are measured at fair value at 31 March 2016:

	Level 1 HK\$'000	Total HK\$'000
Assets		
— Financial assets at fair value through profit or loss	38,049	38,049

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.

The carrying values less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values.

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.

For the six months ended 30 September 2015, the Group is principally engaged in the manufacturing and sales of packaging materials of cigarette in the PRC (the “Cigarette Packaging Business”), which contributed to more than 90% of the Group’s revenue and assets.

For the six months ended 30 September 2016, the Group diversified its business into manufacturing and sales of biotechnology products (the “Biotechnology Business”) and environmental treatment business (the “Environmental Treatment Business”). The Environmental Treatment Business contributed to more than 15% of the Group’s revenue, while the Biotechnology Business contributed to less than 10% of the Group’s key financial indicators as it is in preliminary stage of development.

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

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

Capital expenditures comprise additions to property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

The segment results and other segment items of the Group for the six months ended 30 September 2016 are as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Biotechnology Business HK\$'000	Group HK\$'000
Revenue	92,466	17,920	1,504	111,890
Segment results	26,033	4,750	(2,769)	28,014
Other losses — net				(1,299)
Operating profit				26,715
Finance income				1,588
Profit before income tax				28,303
Income tax expense				(6,638)
Profit for the period				21,665
Other segment item Depreciation and amortisation	(2,446)	(35)	(42)	(2,523)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

The segment results and other segment items of the Group for the six months ended 30 September 2015 are as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Biotechnology Business HK\$'000	Group HK\$'000
Revenue	126,754	–	–	126,754
Segment results	36,157	(5)	(2,551)	33,601
Other losses — net				(6,108)
Operating profit				27,493
Finance income				1,890
Profit before tax				29,383
Income tax expense				(6,131)
Profit for the period				23,252
Other segment item				
Depreciation and amortisation	(2,841)	–	(29)	(2,870)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities at 30 September 2016 are as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Biotechnology Business HK\$'000	Inter- segment elimination HK\$'000	Group HK\$'000
Segment assets	298,912	16,820	16,580	(15,971)	316,341
Financial assets at fair value through profit or loss					29,359
Deferred tax assets					2,266
Other unallocated assets					32,544
Total assets					380,510
Segment liabilities	61,127	7,274	9,338	(15,971)	61,768
Current income tax liabilities					8,826
Deferred tax liabilities					4,570
Other unallocated liabilities					75
Total liabilities					75,239
Capital expenditures	2,908	482	328	-	3,718

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

The segment assets and liabilities at 31 March 2015 are as follows:

	Cigarette Packaging Business HK\$'000	Environmental Treatment Business HK\$'000	Biotechnology Business HK\$'000	Inter- segment elimination HK\$'000	Group HK\$'000
Segment assets	346,805	7,646	16,289	(7,680)	363,060
Financial assets at fair value through profit or loss					38,049
Deferred tax assets					2,063
Other unallocated assets					382
Total assets					403,554
Segment liabilities	76,210	2,700	6,168	(7,680)	77,398
Current income tax liabilities					6,391
Deferred tax liabilities					6,641
Other unallocated liabilities					50
Total liabilities					90,480
Capital expenditures	1,267	368	100	-	1,735

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Sales of cigarette packaging products	92,358	126,209
Revenue from construction contract	17,920	–
Sales of biotechnology products	1,504	–
Sales of other products	108	545
	111,890	126,754

Except for the three customers below, no other customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 September 2016 (six months ended 30 September 2015: two):

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Customer A	58.0%	51.3%
Customer B	17.8%	21.3%
Customer C	15.9%	–
	91.7%	72.6%

All of the Group's sales are carried out by its subsidiaries in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	50,087	70,904
Staff costs (including directors' emoluments)	11,369	12,859
Raw materials consumed and subcontracting cost for construction contract	11,253	–
Depreciation and amortisation	2,523	2,870
Utilities	1,923	1,770
Business tax and other taxes	1,464	1,489
Operating lease rentals in respect of rented premises	998	706
Office expenses	768	355
Transportation expenses	748	1,044
Travelling expenses	319	480
Other expenses	2,762	3,301
Total cost of sales, distribution costs and administrative expenses	84,214	95,778

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OTHER LOSSES – NET

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Foreign exchange gains	(338)	(2,625)
Dividend income from financial assets at fair value through profit or loss	(368)	–
Gains on disposal of financial assets at fair value through profit or loss	(462)	–
Unrealised loss on changes in fair value of financial assets at fair value through profit or loss	2,129	6,108
	961	3,483

9 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 entities in Hong Kong is mainly derived from dividend income from subsidiaries, which is not subject to Hong Kong profits tax.

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

On 9 October 2014, one of the Group's subsidiaries 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 was 15% for the six months ended 30 September 2016 (six months ended 30 September 2015: 15%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 INCOME TAX EXPENSE *(continued)*

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	
	2016 HK\$'000	2015 HK\$'000
Current income tax		
— PRC enterprise income tax	6,008	6,218
Deferred income tax		
— PRC enterprise income tax	(272)	(1,002)
— Withholding income tax for profit to be distributed from the PRC	902	915
	6,638	6,131

No income tax charges relating to components of other comprehensive income existed for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 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	
	2016	2015
Profit attributable to owners of the Company (HK\$'000)	21,319	24,380
Weighted average numbers of ordinary shares in issue	339,250,000	339,250,000
Basic earnings per share	HK6.28 cents	HK7.19 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average numbers of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: the ordinary shares to be issued under the share option scheme. A calculation is done to determine the numbers 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 numbers of shares calculated as above is compared with the numbers of shares that would have been issued assuming the exercise of the share option scheme.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 EARNINGS PER SHARE *(continued)* (b) Diluted *(continued)*

	Six months ended 30 September	
	2016	2015
Profit attributable to owners of the Company (HK\$'000)	21,319	24,380
Weighted average numbers of ordinary shares in issue	339,250,000	339,250,000
Adjustments for share options	5,163,000	–
Weighted average numbers of ordinary shares for diluted earnings per share	344,413,000	339,250,000
Diluted earnings per share	HK6.19 cents	HK7.19 cents

11 DIVIDENDS

A final dividend of HK6.00 cents per ordinary share in respect of the year ended 31 March 2016, totalling approximately HK\$20,355,000, were paid during the period.

On 25 November 2016, the Board has resolved to declare an interim dividend of HK4.00 cents per share (2015: HK4.00 cents per share), which is payable on or around 19 January 2017 to shareholders who are on the register at 3 January 2017. This interim dividend, amounting to HK\$13,570,000 (2015: HK\$13,570,000), has not been recognised as a liability in the Interim Financial Information. It will be recognised in the financial statements for the year ending 31 March 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK\$'000	Machinery HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 April 2016				
Cost	36,965	47,126	2,791	86,882
Accumulated depreciation	(17,099)	(23,944)	(1,902)	(42,945)
Net book amount	19,866	23,182	889	43,937
Six months ended 30 September 2016				
Opening net book amount	19,866	23,182	889	43,937
Exchange differences	(638)	(1,012)	(29)	(1,679)
Additions	–	3,590	128	3,718
Depreciation	(310)	(1,814)	(308)	(2,432)
Closing net book amount	18,918	23,946	680	43,544
At 30 September 2016				
Cost	36,259	48,973	2,313	87,545
Accumulated depreciation	(17,341)	(25,027)	(1,633)	(44,001)
Net book amount	18,918	23,946	680	43,544
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

13 PREPAYMENTS FOR NON-CURRENT ASSETS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Prepayment for an intangible asset (Note (a))	11,614	12,000
Prepayments for property, plant and equipment	–	1,361
	11,614	13,361

- (a) For the six months ended 30 September 2015, a subsidiary of the Group entered into an agreement with an independent third party (“the Vendor”) to purchase the rights to use a series of technologies and patents relating to development of a high-resistant starch content product (“the Functional Food Business”) at a consideration of RMB10,000,000 (equivalent to HK\$12,000,000).

14 TRADE AND NOTES RECEIVABLE

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Trade receivables	81,383	76,033
Notes receivable — bank acceptance notes	930	–
	82,313	76,033

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Less than 30 days	66,688	56,061
31 days to 60 days	11,430	13,414
61 days to 90 days	3,055	4,787
91 days to 180 days	210	1,771
	81,383	76,033

As at 30 September 2016, no trade receivables was past due but not impaired (31 March 2016: HK\$1,771,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE AND NOTES RECEIVABLE *(continued)*

- (b) All the carrying amounts of the Group's trade and notes receivable are denominated in RMB.

15 CONSTRUCTION CONTRACT

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Aggregate costs incurred plus recognised profit	20,348	2,428
Exchange differences	(302)	(48)
Less: progress billings	(9,765)	–
	10,281	2,380

16 PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Advance to suppliers	1,327	6,044
Other prepayments	369	–
Other receivables	2,254	2,329
	3,950	8,373

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Denominated in RMB	2,254	1,446
Denominated in HK\$	369	883
	2,623	2,329

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RESTRICTED CASH AT BANKS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Denominated in RMB	17,828	39,194

As at 30 September 2016, the Group placed cash deposits of approximately HK\$17,828,000 (31 March 2016: HK\$39,194,000) 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.

18 CASH AND CASH EQUIVALENTS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Cash at bank and on hand	139,742	140,625

Cash and cash equivalents are denominated in the following currencies:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Denominated in RMB	107,199	140,242
Denominated in HK\$	319	70
Denominated in US\$	32,224	313
	139,742	140,625

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

19 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 2015 and 2016, 30 September 2015 and 2016	2,000,000,000	0.01	20,000,000

Ordinary shares, issued and fully paid:	Number of issued shares	Amount HK\$
At 1 April 2015 and 2016, 30 September 2015 and 2016	339,250,000	3,392,500

20 SHARE-BASED COMPENSATION RESERVES

On 15 January 2015, the Company granted share options to certain directors, employees 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 in 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 2016 and 31 March 2016 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at	
			30 September 2016	31 March 2016
1 year from 15 January 2015	14 January 2020	HK\$2.58	6,667,500	6,852,500
2 years from 15 January 2015	14 January 2020	HK\$2.58	6,667,500	6,852,500
3 years from 15 January 2015	14 January 2020	HK\$2.58	6,667,500	6,852,500
4 years from 15 January 2015	14 January 2020	HK\$2.58	6,667,500	6,852,500
			26,670,000	27,410,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 SHARE-BASED COMPENSATION RESERVES *(continued)*

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

	Six month ended 30 September	
	2016	2015
At 1 April	27,410,000	30,000,000
Forfeited	(740,000)	(300,000)
At 30 September	26,670,000	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 2016 was HK\$911,000 (six months ended 30 September 2015: HK\$2,300,000).

21 TRADE AND NOTES PAYABLE

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Trade payables <i>(Note (a))</i>	27,005	21,447
Notes payable — bank acceptance notes	17,970	39,499
	44,975	60,946

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 TRADE AND NOTES PAYABLE *(continued)*

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Within 90 days	26,180	20,720
90 to 180 days	417	727
Over 180 days	408	–
	27,005	21,447

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

22 OTHER PAYABLES

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Accrual for staff costs and allowances	4,795	4,390
Other tax payables	8,595	7,361
Other accruals	3,478	2,751
	16,868	14,502

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Denominated in RMB	15,186	12,985
Denominated in HK\$	1,682	1,517
	16,868	14,502

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 CASH GENERATED FROM OPERATIONS

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

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Profit before income tax	28,303	29,383
Adjustments for:		
— Depreciation	2,432	2,789
— Amortisation of prepaid operating lease	91	81
— Other losses — net	961	3,483
— Finance income	(1,588)	(1,890)
— Value of employee services costs under share option scheme	911	2,300
Changes in working capital:		
— Inventories	(353)	(1,796)
— Amounts due from customer for contract work	(8,155)	—
— Trade and notes receivable	(6,280)	5,781
— Prepayments and other receivables	4,423	11,166
— Trade and notes payable	(15,971)	(12,354)
— Other payables	2,366	(4,778)
Cash generated from operations	7,140	34,165

24 CAPITAL COMMITMENTS

As at 30 September 2016 and 31 March 2016, the Group had the following capital commitments:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided	142	2,155

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

25 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
Mr. Zhang Liang	Key management of a non-wholly owned subsidiary
Shanghai Fo Xin Ai Jian River Management Co., Ltd	Company controlled by Mr. Zhang Yongtai, a director of a non-wholly owned subsidiary

(b) Balances with related parties

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Amount due to a related party — Mr. Zheng Andy Yi Sheng	—	2,000
Amounts due from related parties (included in prepayments and other receivables)		
— Mr. Zhang Liang	—	130
— Shanghai Fo Xin Ai Jian River Management Co. Ltd.	—	4,440
	—	4,570
Other payables		
— Mr. Zheng Andy Yi Sheng	250	250
— Mr. Zheng Minsheng	200	500
	450	750

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

25 RELATED PARTY TRANSACTIONS *(continued)*

(c) Transaction with a related party

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Purchase of products — Shanghai Fo Xin Ai Jian River Management Co. Ltd.	4,881	—

(d) Key management compensations

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Salaries and other employee benefits	1,231	1,465
Pension costs	63	52
Value of employee services costs under share option scheme	176	310
	1,470	1,827