

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01689)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Director(s)**”) of Huaxi Holdings Company Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively known as the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	78,213	223,787
Cost of sales	6	(64,377)	(153,598)
Gross profit		13,836	70,189
Distribution costs	6	(236)	(1,067)
Administrative expenses	6	(22,459)	(25,784)
Net impairment (losses)/reversal on financial and contract assets		(218)	98
Other (losses)/gains — net	7	(5,246)	8,215
Operating (loss)/profit		(14,323)	51,651
Finance income — net		5,234	1,092
(Loss)/profit before income tax		(9,089)	52,743
Income tax credit/(expense)	8	1,330	(10,545)
(Loss)/profit for the period		(7,759)	42,198
(Loss)/profit attributable to:			
— Owners of the Company		(7,342)	42,499
— Non-controlling interests		(417)	(301)
		(7,759)	42,198

	Six months ended 30 June	
	2022	2021
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
Currency translation differences on translation to presentation currency	<u>(19,615)</u>	<u>5,421</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(19,615)</u>	<u>5,421</u>
Total comprehensive (loss)/income for the period	<u>(27,374)</u>	<u>47,619</u>
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	(27,252)	47,986
— Non-controlling interests	<u>(122)</u>	<u>(367)</u>
	<u>(27,374)</u>	<u>47,619</u>
(Losses)/earnings per share attributable to owners of the Company (expressed in HK cent per share)		
— Basic and diluted (losses)/earnings per share	9	9
	<u>HK(1.05) cents</u>	<u>HK6.06 cents</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

As at 30 June 2022

	<i>Note</i>	30 June 2022	31 December 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		34,125	38,501
Right-of-use assets		8,400	9,820
Intangible assets		65	116
Deferred tax assets		11,201	7,563
Prepayments for non-current assets		45,677	978
		99,468	56,978
Current assets			
Inventories		48,204	39,360
Trade receivables	<i>11</i>	252,367	391,054
Contract assets	<i>5</i>	46,133	38,214
Prepayments and other receivables		11,882	24,475
Financial assets at fair value through profit or loss		60,875	67,758
Restricted cash at banks		28,209	44,539
Cash and cash equivalents		88,715	70,599
		536,385	675,999
Total assets		635,853	732,977
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,508	3,508
Other reserves		240,505	260,415
Retained earnings		186,071	193,413
		430,084	457,336
Non-controlling interests		(6,641)	(6,519)
Total equity		423,443	450,817

		30 June 2022	31 December 2021
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,106	1,879
Deferred tax liabilities		10,230	10,170
		<u>11,336</u>	<u>12,049</u>
Current liabilities			
Trade and notes payable	<i>12</i>	123,341	204,606
Other payables and accruals		29,647	38,584
Contract liabilities	<i>5</i>	531	–
Current income tax liabilities		22,024	24,668
Borrowings	<i>13</i>	23,386	–
Lease liabilities		2,145	2,253
		<u>201,074</u>	<u>270,111</u>
Total liabilities		<u>212,410</u>	<u>282,160</u>
Total equity and liabilities		<u>635,853</u>	<u>732,977</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

Huaxi Holdings Company Limited (the “**Company**”) 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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) manufacture and sales of cigarette packaging materials; and (ii) environmental treatment business in the People’s Republic of China (the “**PRC**”).

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 6 December 2013.

This condensed consolidated interim financial information for the six months ended 30 June 2022 (“**Interim Financial Information**”) is presented in thousands of Hong Kong dollar (“**HK\$**”), unless otherwise stated.

This Interim Financial Information has not been audited and has been approved for issue by the Board of the Company on 30 August 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

This accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

2.1 New standards, amendments to standards and interpretations adopted by the Group

The Group has applied the following new standards, amendments to standards and interpretations for the first time for its reporting period commencing 1 January 2022:

		Effective for reporting periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022

The new standards, amendments to standards and interpretations listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 New standards, amendments to standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial period beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for reporting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new standards, amendments to standards and interpretations are not expected to have material impact on the Group in the current or future reporting periods.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 expenses. 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 consolidated financial statements for the year ended 31 December 2021.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

The Group is principally engaged in the manufacturing and sales of packaging materials for cigarette in the PRC (the “**Cigarette Packaging Business**”) and environmental and ecological restoration treatment business in the PRC (the “**Environmental Treatment Business**”), which are identified as reportable segments. Meanwhile, the Group diversified its business into other business, which is in a preliminary stage and contributed to less than 10% of the Group’s revenue, profit or loss and assets.

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

Segment assets exclude financial assets at FVPL and deferred tax assets. Segment liabilities exclude current income tax liabilities and deferred tax liabilities.

Capital expenditures represent addition for the acquisition of property, plant and equipment, intangible assets, prepayments for non-current assets and right-of-use assets.

- (a) The segment results and other segment items of the Group for the six months ended 30 June 2022 are as follows:

	Cigarette Packaging Business HK\$’000 (Unaudited)	Environmental Treatment Business HK\$’000 (Unaudited)	Others HK\$’000 (Unaudited)	The Group HK\$’000 (Unaudited)
Revenue	<u>69,257</u>	<u>8,763</u>	<u>193</u>	<u>78,213</u>
Segment results	<u>16,693</u>	<u>(26,254)</u>	<u>193</u>	<u>(9,098)</u>
Other losses arising from financial assets at FVPL				<u>(5,225)</u>
Operating loss				<u>(14,323)</u>
Finance income — net				<u>5,234</u>
Loss before income tax				<u>(9,089)</u>
Income tax credit				<u>1,330</u>
Loss for the period				<u><u>(7,759)</u></u>
Other segment item				
Depreciation and amortisation	<u>2,870</u>	<u>2,257</u>	<u>–</u>	<u>5,127</u>

The segment results and other segment items of the Group for the six months ended 30 June 2021 are as follows:

	Cigarette Packaging Business <i>HK\$'000</i> (Unaudited)	Environmental Treatment Business <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	The Group <i>HK\$'000</i> (Unaudited)
Revenue	<u>99,414</u>	<u>121,274</u>	<u>3,099</u>	<u>223,787</u>
Segment results	<u>23,698</u>	<u>16,390</u>	<u>3,094</u>	43,182
Other gains arising from financial assets at FVPL				<u>8,469</u>
Operating profit				51,651
Finance income — net				<u>1,092</u>
Profit before income tax				52,743
Income tax expense				<u>(10,545)</u>
Profit for the period				<u><u>42,198</u></u>
Other segment item				
Depreciation and amortisation	<u>2,988</u>	<u>3,876</u>	<u>—</u>	<u>6,864</u>

(b) The segment assets and liabilities at 30 June 2022 are as follows:

	Cigarette Packaging Business <i>HK\$'000</i> (Unaudited)	Environmental Treatment Business <i>HK\$'000</i> (Unaudited)	Others <i>HK\$'000</i> (Unaudited)	Inter-segment elimination <i>HK\$'000</i> (Unaudited)	The Group <i>HK\$'000</i> (Unaudited)
Segment assets	<u>450,428</u>	<u>265,348</u>	<u>42,169</u>	<u>(194,168)</u>	563,777
Financial assets at FVPL					60,875
Deferred tax assets					<u>11,201</u>
Total assets					<u><u>635,853</u></u>
Segment liabilities	<u>110,124</u>	<u>264,200</u>	<u>-</u>	<u>(194,168)</u>	180,156
Current income tax liabilities					22,024
Deferred tax liabilities					<u>10,230</u>
Total liabilities					<u><u>212,410</u></u>

The segment assets and liabilities at 31 December 2021 are as follows:

	Cigarette Packaging Business <i>HK\$'000</i> (Audited)	Environmental Treatment Business <i>HK\$'000</i> (Audited)	Others <i>HK\$'000</i> (Audited)	Inter-segment elimination <i>HK\$'000</i> (Audited)	The Group <i>HK\$'000</i> (Audited)
Segment assets	<u>416,226</u>	<u>375,166</u>	<u>57,604</u>	<u>(191,340)</u>	657,656
Financial assets at FVPL					67,758
Deferred tax assets					<u>7,563</u>
Total assets					<u><u>732,977</u></u>
Segment liabilities	<u>92,820</u>	<u>345,842</u>	<u>-</u>	<u>(191,340)</u>	247,322
Current income tax liabilities					24,668
Deferred tax liabilities					<u>10,170</u>
Total liabilities					<u><u>282,160</u></u>

5. REVENUE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At a point in time		
— Sales of cigarette packaging products	69,257	99,414
— Agency services	193	3,099
— Revenue from design and consulting services	478	—
	<u>69,928</u>	<u>102,513</u>
Over time		
Revenue from environmental and ecological restoration contracts		
— Construction services	3,004	116,607
— Maintenance services	5,281	4,667
	<u>8,285</u>	<u>121,274</u>
	<u>78,213</u>	<u>223,787</u>

Except for the customers below, no other customers individually accounted for more than 10% of the Group's revenue for the period:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	49.0%	26.4%
Customer B	39.2%	14.0%
Customer C	Not applicable*	47.6%

* The revenue of each customer is less than 10% of the Group's revenue for the respective period.

Majority of the Group's revenue were derived from customers in the PRC for the period.

(a) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Contract assets relating to construction contracts	46,190	38,267
Loss allowance	(57)	(53)
Total contract assets	46,133	38,214
Contract liabilities relating to construction contracts	531	–

(i) Significant changes in contract assets

Increase in contract assets was a result of the Group having provided more services ahead of the billing process with its customers.

(ii) Unsatisfied contracts

The Group's contracts of sales of cigarette packaging products, rendering of agency services, and design and consulting services are for periods of one year or less. Contracts for construction services and maintenance services give the Group rights to consideration from customers in the amount that corresponds directly with the value to the customer of the Group's performance completed to date. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	38,104	52,875
Raw materials consumed and subcontracting costs for construction contracts	12,215	86,939
Staff costs (including directors' emoluments)	20,217	19,680
Depreciation and amortisation		
— Amortisation of intangible assets	47	2,248
— Depreciation of property, plant and equipment	3,513	3,671
— Depreciation of right-of-use assets	1,507	945
Utilities	2,709	3,086
Other taxes and surcharge	1,300	1,213
Auditor's remuneration		
— Audit service	1,019	2,186
— Non-audit service	386	311

7. OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Foreign exchange losses	(21)	(254)
Dividend income from financial assets at FVPL	948	195
Net fair value (losses)/gains on financial assets at FVPL	<u>(6,173)</u>	<u>8,274</u>
	<u>(5,246)</u>	<u>8,215</u>

8. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	<u>(2,027)</u>	<u>(8,538)</u>
Deferred income tax		
— PRC corporate income tax	4,128	485
— Withholding income tax on profit to be distributed from subsidiaries in the PRC	<u>(771)</u>	<u>(2,492)</u>
	<u>1,330</u>	<u>(10,545)</u>

There were no income tax charges relating to components of other comprehensive income existed for the six months ended 30 June 2022 (six months ended 30 June 2021: same).

9. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>(7,342)</u>	<u>42,499</u>
Weighted average number of ordinary shares in issue	<u>701,430,000</u>	<u>701,430,000</u>
Basic (losses)/earnings per share	<u>HK(1.05) cents</u>	<u>HK6.06 cents</u>

(b) Diluted

Diluted (losses)/earnings per share adjusts the figures used in the determination of basic (losses)/earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Diluted (losses)/earnings per share equals to basic (losses)/earnings per share as there were no potential diluted shares outstanding for the six months ended 30 June 2022 and 2021.

10. DIVIDENDS

No interim dividend for the six months ended 30 June 2022 has been declared (six months ended 30 June 2021: HK4.00 cents per share).

11. TRADE RECEIVABLES

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables (<i>a</i>)	260,919	399,449
Less: allowance for impairment of trade receivables	<u>(8,552)</u>	<u>(8,395)</u>
	<u>252,367</u>	<u>391,054</u>

(a) Ageing analysis of trade receivables at respective dates was as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 90 days	39,402	258,009
91 days to 180 days	2,098	25,978
181 days to 365 days	127,531	16,784
Over 365 days	91,888	98,678
	<u>260,919</u>	<u>399,449</u>

(b) The carrying amounts of Group's trade receivables were denominated in RMB.

12. TRADE AND NOTES PAYABLE

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade payables (a)	96,635	161,311
Notes payable — bank acceptance notes	26,706	43,295
	<u>123,341</u>	<u>204,606</u>

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 90 days	81,994	145,996
91 days to 180 days	2,475	5,594
Over 180 days	12,166	9,721
	<u>96,635</u>	<u>161,311</u>

(b) The Group's trade and notes payable were denominated in RMB as at 30 June 2022 (31 December 2021: same).

13. BORROWINGS

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Bank loans	<u><u>23,386</u></u>	<u><u>–</u></u>

The carrying amounts of the Group's borrowings were denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group's revenue principally represented income derived from sales of cigarette packaging materials (the "**Cigarette Packaging Business**") and the environmental and ecological restoration treatment business (the "**Environmental Treatment Business**") in The People's Republic of China (the "**PRC**"). During the six months ended 30 June 2022 (the "**Reporting Period**"), the Group recorded revenues of approximately HK\$78.21 million (30 June 2021: HK\$223.79 million) respectively, representing a decrease of approximately 65%. The Group recorded a loss attributable to owners of the Company of approximately HK\$7.34 million for the six months ended 30 June 2022 as compared to a profit attributable to owners of the Company of approximately HK\$42.50 million for the corresponding period in 2021.

Revenue

Due to the resurgence of COVID-19 pandemic in the first half of 2022, the PRC government implemented stringent controls in various cities which brought adverse impact to our operations. The Cigarette Packaging Business was affected by the restrictions on logistic and transportation policy. Revenue from Cigarette Packaging Business was approximately HK\$69.26 million (30 June 2021: HK\$99.41 million). In addition, the environment ecological restoration projects either held or delayed. The projects commenced in the Reporting Period were mainly maintenance service projects. Revenue from Environmental Treatment Business was HK\$8.76 million (30 June 2021: HK\$121.27 million).

Gross Profit

The overall gross profit of the Group during the Reporting Period was approximately HK\$13.84 million, (30 June 2021: HK\$70.19 million) representing decrease of HK\$56.35 million as compared with the corresponding period in 2021. The overall gross profit margin was decreased from 31% to 18% as compared with the corresponding period in 2021. Profit margin for Cigarette Packaging Business were approximately 36% (30 June 2021: 40%) which was decreased by 4% due to the aluminum price. Decrease in gross profit margin was mainly resulted from gross loss of HK\$10.98 million recorded from Environmental Treatment Business because of delay completion of certain projects and maintenance costs continuing being incurred.

Administrative Expenses

Administrative and other operating expenses mainly consisted of staff costs, legal and professional fees and research and development. The Group's administrative expenses for the Reporting Period was approximately HK\$22.46 million which was decreased by approximately HK\$3.32 million as compared with approximately HK\$25.78 million in the corresponding period in 2021.

Finance Income — Net

Finance income of the Group during the Reporting Period was approximately HK\$5.23 million (30 June 2021: HK\$1.09 million). Finance income mainly represented accrued interests from contracts with customers.

Income Tax Credit/(Expense)

During the Reporting Period, the Group's recorded an income tax credit for approximately HK\$1.33 million (30 June 2021: income tax expenses — HK\$10.55 million).

During the Reporting Period, a preferential income tax rate of 15% were applied for one of the Company's principal subsidiaries in the PRC.

(Loss)/Profit Attributable to Owners of the Company

The loss attributable to owners of the Company for the Reporting Period amounted approximately HK\$7.34 million (30 June 2021: profit of HK\$42.50 million) and the basic losses per share of HK1.05 cents (30 June 2021: Earnings per share of HK6.06 cents).

Capital Structure, Liquidity and Financial Resources

At 30 June 2022, the Group had net assets of HK\$423.44 million (31 December 2021: HK\$450.82 million); and a working capital surplus of HK\$335.31 million (31 December 2021: HK\$405.89 million).

At 30 June 2022, the Group's total cash and restricted cash balances amounted to approximately HK\$116.92 million (31 December 2021: HK\$115.14 million) including restricted cash of HK\$28.21 million (31 December 2021: HK\$44.54 million) and cash and cash equivalent HK\$88.71 million (31 December 2021: HK\$70.60 million).

For the six months ended 30 June 2022, the Group's net cash generated from operating activities and financing activities amounted to approximately HK\$31.65 million and HK\$22.36 million respectively and the net cash used in investing activities was approximately HK\$31.83 million. The Group primarily uses cash inflow from operating activities to satisfy the requirement of working capital.

Gearing Ratio

This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as borrowings plus lease liabilities less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the financial statements plus net borrowings. No gearing ratio was presented as the Group had net cash surplus as at 30 June 2022 (31 December 2021: same).

Financial Assets at Fair Value through Profit or Loss

The Group adopted a prudent attitude in its securities investment. The management takes into account of risk exposure in comparison with the Group's risk tolerance level at the prevailing time and the potential for return on investment in terms of capital appreciation and dividend payment when determining whether to take up an investment opportunity for the cash held by the Group. The Board exercised caution while actively managing its investment portfolio in accordance with the Company's strategy and policy. The fair values of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges. Both Hong Kong and the PRC securities markets were affected by the global and domestic economy, the Group recorded a loss from listed securities was approximately HK\$5.23 million (30 June 2021: gain HK\$8.47 million) including net fair value losses HK\$6.17 million (30 June 2021: net fair value gains HK\$8.27 million). The management invests in these shares expecting the price will be stable and gradually increase in line with the upward trend of the financial market.

The Group held the following financial assets at fair value through profit or loss at the respective date:

	30 June 2022		31 December 2021	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Equity securities listed in Hong Kong				
Sunac China (1918)	400,000	1,832	400,000	4,712
BABA — SW (9988)	30,000	3,357	30,000	3,567
Tencent (0700)	5,000	1,772	5,000	2,217
Other listed equity securities (Note 1)		4,344		5,746
Equity listed in the PRC				
Guangdong Liantai (聯泰環保 603797)	1,260,972	8,626	1,260,972	10,765
Guangdong Tonze Electric (天際股份 002759)	730,000	23,201	730,000	26,161
Other listed equity securities (Note 2)		17,743		14,572
		<u>60,875</u>		<u>67,758</u>

Note:

- (1) Other listed equity securities comprised 5 equity securities in Hong Kong (31 December 2021: 4)
- (2) Other listed equity securities comprised 7 equity securities in the PRC (31 December 2021: 6)

Exposure to fluctuations in exchange rate

The Group's transactions for our principal subsidiary in the PRC were mainly conducted in Renminbi (“RMB”), the functional currency of the subsidiary, and the major receivables and payables are also denominated in RMB.

The Group's exposure to foreign currency risk was primarily related to certain cash and bank balances, financial assets at FVPL, other receivables and other payables and accruals denominated in HK dollar. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately HK\$46.03 million, (30 June 2021: HK\$0.63 million) which was used in the acquisition of property, plant and equipment, intangible assets and prepayments for non-current assets and right-of-use assets.

Charge on assets

As at 30 June 2022, the Group had pledged bank deposits amounting to HK\$28.21 million (31 December 2021: HK\$44.54 million) as collateral for the Group's notes payable. Saved as above, no other assets of the Group was pledged.

Contingent liability

The Group has no significant contingent liabilities as at 30 June 2022 and 31 December 2021.

Capital commitments

As at 30 June 2022, the Group had capital commitments for the amount of approximately HK\$3.35 million (31 December 2021: HK\$1.34 million) for acquisition of property, plant and equipment.

FUTURE OUTLOOK

With the continuous widespread of the coronavirus pandemic in 2022, and the prolonged implementation of travel restrictions and lockdown measures in various major cities in the PRC, the economic activities were severely affected. Despite there are uncertainties regarding the pandemic, we are confident about the prospects of the business. The Group will continue to solidify its Cigarette Packaging Business and will reinforce the relationship with existing customers to cope with their production. In the Reporting Period, the Environmental Treatment Business was not only affected by the pandemic but also the rigorous economic environment. The quantity and size of the projects commenced in the Reporting Period was limited. Most of the environment ecological restoration projects were reconsidered by the relevant authorities. Notwithstanding the uncertainties in the industry and the overall competitive business environment, the Group will continue to dedicate to bid for potential ecological projects in the future. We will also look into business and investment opportunities for business growth in order to maximize shareholders' interests.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the total number of the Group's staff was 314 (as at 30 June 2021: 341). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund, and pays social pension insurance and housing provident fund for its employees in China in accordance with the local laws and regulations.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Period, the Group had no significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period. (30 June 2021: HK4.00 cents per ordinary share).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2022, 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.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organization and the external environment with active management participation and effective internal control procedures in the best interests of the Group and its shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the six months ended 30 June 2022 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 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 Reporting Period, management did not provide the board with monthly updates required under Code Provision C.1.2 of the CG Code. 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. The Company has also based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties.

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 June 2022.

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

As at 30 June 2022, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Lau Kwok Hung (Chairman), Mr. Fok Po Tin and Mr. Cai Xiaowen, had reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022. During the period, one regular meeting of the Audit Committee has been held.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.huaxihds.com.hk). The interim report for the period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders and available on the same websites in due course.

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

Hong Kong, 30 August 2022

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