



HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1689



INTERIM REPORT **2023**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Andy Yi Sheng (*Chairman*)
Mr. Zheng Minsheng

Non-executive Directors

Mr. Hao Jiming

Independent non-executive Directors

Mr. Lau Kwok Hung
Mr. Fok Po Tin
Mr. Cai Xiaowen

AUDIT COMMITTEE

Mr. Lau Kwok Hung (*Chairman*)
Mr. Fok Po Tin
Mr. Cai Xiaowen

REMUNERATION COMMITTEE

Mr. Lau Kwok Hung (*Chairman*)
Mr. Fok Po Tin
Mr. Cai Xiaowen

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
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

On Hong Kong law
Hastings & Co.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 4 Wanji North Street
Wanji Industrial District
Shantou City
Guangdong Province
People's Republic of China

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 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

Overview

Notwithstanding the further relaxation of COVID-19 control policies in the People's Republic of China ("PRC") in December 2022 and the orderly issue of various policies and measures to help PRC's economy to stabilize and recover in 2023, the global economy and PRC's economy outlook remained uncertain in the first half year in 2023. During the six months ended 30 June 2023 (the "**Reporting Period**"), the Group recorded revenues of approximately HK\$70.74 million (30 June 2022: HK\$78.21 million), representing a decrease for approximately HK\$7.47 million or 10%. During the Reporting Period the Group recorded a loss of approximately HK\$8.44 million, representing an increase of loss for approximately HK\$0.68 million or 9%, as compared with a loss of approximately HK\$7.76 million for the corresponding period in 2022, which was mainly resulted from the decrease in finance income of approximately HK\$4.76 million and the change from a tax credit of HK\$1.33 million for the period ended 30 June 2022 to a tax expense of HK\$0.52 million in the Reporting Period.

Revenue

Cigarette Packaging Business of the Group was facing a keen market competition. Revenue from Cigarette Packaging Business was approximately HK\$70.81 million, representing an increase of HK\$1.55 million or 2% as compared with HK\$69.26 million in the corresponding period of 2022.

During the Reporting Period, revenue from Environmental Treatment Business recorded a reversal of HK\$0.12 million representing a decrease of HK\$8.88 million or 101% as compared with a revenue of HK\$8.76 million for the corresponding period in 2022. The decrease was due to the increase of unpredictable costs for environmental and ecological restoration contracts.

Gross Profit

The overall gross profit of the Group during the Reporting Period was approximately HK\$17.92 million (FY2022: HK\$13.84 million), representing an increase of HK\$4.08 million or 29% as compared with the corresponding period in 2022. The overall gross profit margin was increased from 18% for the 6 months ended 30 June 2022 to 25% in the Reporting Period. Increase in gross profit margin was mainly resulted from decrease in contract costs from Environmental Treatment Business during the Reporting Period. During the Reporting Period, the Group's gross profit for Cigarette Packaging Business was approximately HK\$23.20 million (30 June 2022: HK\$24.62 million) and the gross loss for Environmental Treatment Business was approximately HK\$5.33 million (30 June 2022: gross loss HK\$10.98 million).

BUSINESS REVIEW *(continued)*

Administrative Expenses

Administrative expenses mainly consisted of staff costs, legal and professional fees, research and development expenses. The Group's administrative expenses for the Reporting Period was approximately HK\$21.70 million which was decreased by approximately HK\$0.76 million or 3% as compared with approximately HK\$22.46 million in the corresponding period in 2022.

Finance Income — Net

Finance income of the Group during the Reporting Period was approximately HK\$0.48 million (30 June 2022 HK\$5.23 million). Finance income were interest income from bank deposits and other financial assets.

Income Tax (Expense)/Credit

The Group's income tax for the six months ended 30 June 2023 was approximately HK\$0.52 million (30 June 2022: income tax credit HK\$1.33 million).

During the Reporting Period, a preferential income tax rate of 15% were applied Shantou Xinda Colour Printing & Packaging Material Co. Ltd.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the Reporting Period amounted approximately HK\$8.07 million (30 June 2022: HK\$7.34 million) and the basic losses per share of HK1.15 cents (30 June 2022: loss per share HK1.05 cents).

Capital Structure, Liquidity and Financial Resources

At 30 June 2023, the Group had net assets of HK\$341.87 million (31 December 2022: HK\$361.26 million); and a working capital surplus of HK\$237.10 million (31 December 2022: surplus HK\$254.71 million).

At 30 June 2023, the Group's total cash and restricted cash balances amounted to approximately HK\$68.12 million (31 December 2022: HK\$91.23 million) including restricted cash of HK\$37.86 million (31 December 2022: HK\$43.96 million) and cash and cash equivalent HK\$30.26 million (31 December 2022: HK\$47.27 million).

For the six months ended 30 June 2023, the Group's net cash used in operating activities, investing activities and financing activities were approximately HK\$6.86 million, HK\$6.70 million and HK\$2.71 million respectively.

Based on the Group's steady cashflow from operations, coupled with sufficient cash and bank balances, the Group has adequate liquidity and financial resources to meet the daily operations and working capital requirements as well as to fund its expansion plans. By taking a prudent financial management attitude, the Group continued to maintain the healthy financial position.

BUSINESS REVIEW *(continued)*

Borrowings and gearing ratio

As at 30 June 2023, the Group's bank borrowings which secured by personal guarantee provided by the controlling shareholder of the Group were approximately HK\$20.59 million (RMB18.98 million) repayable in one year (31 December 2022: HK\$22.39 million (RMB20.00 million)).

The Group's gearing ratios 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 2023 (31 December 2022: same).

Charge on assets

As at 30 June 2023, the Group placed cash deposits of approximately HK\$37.86 million (31 December 2022: HK\$43.96 million), which comprised deposits of HK\$36.55 million (31 December 2022: HK\$38.84 million) as collateral for the Group's notes payable and deposits of HK\$1.31 million (31 December 2022: HK\$5.12 million) as performance guarantee letter deposits, which were all denominated in RMB.

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

Contingent liability

The Group has no significant contingent liabilities as at 30 June 2023 and 31 December 2022.

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\$3.77 million (30 June 2022: HK\$6.17 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.

BUSINESS REVIEW *(continued)*
Financial Assets at Fair Value through Profit or Loss *(continued)*

As at 30 June 2023, the Group held the following financial assets at fair value through profit or loss:

	30 June 2023		31 December 2022	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Equity securities listed in Hong Kong				
Sunac China (01918)	400,000	552	400,000	1,080
BABA — SW (09988)	30,000	2,436	30,000	2,588
Tencent (0700)	5,000	1,658	5,000	1,586
Other listed equity securities <i>(Note 1)</i>		2,917		3,744
Equity securities listed in the PRC				
Guangdong Liantai (聯泰環保 603797)	1,260,972	7,604	1,260,972	7,792
Guangdong Tonze Electric (天際股份 002759)	1,255,200	19,032	1,255,200	22,805
Other listed equity securities <i>(Note 2)</i>		12,743		12,551
		46,942		52,146

Notes:

- (1) Other listed equity securities comprised 6 equity securities in Hong Kong (31 December 2022: 5).
- (2) Other listed equity securities comprised 6 equity securities in the PRC (31 December 2022: 8).

BUSINESS REVIEW *(continued)*

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 and other receivables 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\$7.99 million (30 June 2022: HK\$46.03 million), which was used in the acquisition of property, plant and equipment, investment properties, prepayments for non-current assets and right-of-use assets.

Capital commitments

As at 30 June 2023, the Group had capital commitments for the amount of approximately HK\$5.44 million (31 December 2022: HK\$4.42 million for acquisition of property, plant and equipment).

FUTURE OUTLOOK

In the second half of 2023, the Group will further improve its operational efficiency and optimisation in quality control measure and procedure to maintain product quality of our cigarette packaging materials to maximize our customers' satisfaction. The Group will continue to allocate sufficient resources to research and development in order to enhance the quality of our products. Meanwhile, we are committed to achieve better quality control and adopt and enhancing flexible strategies in its production process, supply chains, logistics and marketing to maintain its competitive position.

The Group will keep evaluating its technique and equipment to pursue strategic opportunities arising from the development of the ecological restoration industry. We will continue to explore new water environmental projects, including the construction of drainage pipe network and river ecological maintenance. The Group will stick to its proven business strategies to maintain and strengthen its growth and performance to sustain its well-recognised reputation in the market. While solidifying our Cigarette Packaging Business, we will proactively pursue strategic opportunities that would be beneficial to the overall business development to provide better returns to the shareholders.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the total number of the Group's staff was 295 (as at 30 June 2022: 314). 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.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period (30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2023, 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.

OTHER INFORMATION

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

As at 30 June 2023, 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 Governing the Listing of Securities on the Stock Exchanges (the "**Listing Rules**") were as follows:

Long positions of Directors' interests in securities of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of Interest ⁽²⁾
Mr. Zheng Andy Yi Sheng	Interests in a controlled corporation ⁽¹⁾	450,000,000	64.15%
Mr. Zheng Minsheng	Beneficial owner	1,200,000	0.17%
Mr. Lau Kwok Hung	Beneficial owner	400,000	0.06%

Notes:

- (1) These 450,000,000 shares are beneficially owned by SXD Limited and the entire issued share capital of SXD Limited was legally and beneficially owned by 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 June 2023.

Save as disclosed above, as at 30 June 2023, 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.

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

As at 30 June 2023, to the knowledge of the Directors, the following entities (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Long position in the Shares of the Company

Name of Shareholders	Nature of interest	Number of ordinary shares held	Approximate percentage of the total issued share capital (Note iii)
SXD Limited	Beneficial interest	450,000,000	64.15%
Mr. Zheng Andy Yi Sheng (Note i)	Interest held by a controlled corporation	450,000,000	64.15%
Ms. Chen Annie Ni (Note ii)	Interest of spouse	450,000,000	64.15%

Notes:

- (i) 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 450,000,000 shares held by SXD Limited under the SFO.
- (ii) Ms. Chen Annie Ni is the spouse of Mr. Zheng Andy Yi Sheng and was accordingly deemed to have an interest in the shares of SXD Limited.
- (iii) The approximate percentage of interests held was calculated on the basis of 701,430,000 ordinary shares of the Company in issue.

Save as disclosed above, as at 30 June 2023, no other person (other than the Directors or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was originally adopted by the Company for a period of 10 years pursuant to a written resolution of all the then shareholders of the Company on 14 November 2013 (the “**Old Share Option Scheme**”). The Old Share Option Scheme was subsequently terminated on 16 June 2023 and a new share option scheme (the “**New Share Option Scheme**”) was adopted on the same day at the annual general meeting of the Company for a further 10 years. The adoption of the New Share Option Scheme was approved by the Company in the annual general meeting held on 16 June 2023. Please refer to the circular and the announcement of the Company dated 28 April 2023 and 16 June 2023 for the details of the New Share Option Scheme. The New Share Option Scheme is to recognise the past contribution and future performance and contribution of the employees (full-time and part time), directors, suppliers, service providers, advisers and consultants (“**Eligible Participants**”) to the long term growth of the Group by granting options to them as incentives or rewards and to attract, retain and motivate high-calibre Eligible Participants in line with the performance goals of the Group.

The New Share Option Scheme will remain in force for a period of 10 years after the date on which the scheme was adopted. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the New Share Option Scheme adopted by the Group must not in aggregate exceed 10% (“**Scheme Mandate Limit**”) of the Shares of the Company in issue on 16 June 2023, the date when the Company adopted the New Share Option Scheme, which were 70,143,000 Shares. The Company may renew the Scheme Mandate Limit with shareholders’ approval provided that each such renewal may not exceed 10% of the shares of the Company and after three (3) years from the date of approval by the Shareholders for the adoption of the New Share Option Scheme or the last refreshment which is subject to the Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

SHARE OPTION SCHEME *(continued)*

An option may be accepted by a participant within twenty-one (21) business days inclusive of, and from the date of the offer of grant of the option. A non-refundable consideration of HKD1.00 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option.

The subscription price for the Shares under the New Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

As at 30 June 2023, there was no share option outstanding under the Old Share Option Scheme. No share option was granted or exercised under the New Share Option Scheme during the six months ended 30 June 2023.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining the highest possible standards of corporate governance, and strives to maintain transparent, responsible and value-driven management practices that will enhance and safeguard the interests of the shareholders. The Board believes that effective and high quality corporate governance is an essential platform for creating value for the shareholders. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(continued)*

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 2023 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision C.2.1

Code Provision C.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.1.6

Under Code Provision C.1.6, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. During the Reporting Period, an independent non-executive director and a non-executive director was unable to attend annual general meetings of the Company held on 16 June 2023 as they were out of town for other business commitments.

Code Provision D.1.2

Under Code Provision D.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 D.1.2 of the CG Code. 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 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 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2023, 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.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) with written terms of reference in accordance with Rules 3.22 of the Listing Rules and paragraphs C.3.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen. Mr. Lau Kwok Hung is the chairman of the Audit Committee.

The Audit Committee has reviewed the interim report of the Group for the six months ended 30 June 2023, which is of the opinion that such unaudited condensed consolidated financial information complies with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By Order of the Board
Huaxi Holdings Company Limited
Zheng Andy Yi Sheng
Chairman and Executive Director

Hong Kong, 30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	6	70,735	78,213
Cost of sales	7	(52,811)	(64,377)
Gross profit		17,924	13,836
Distribution costs	7	(192)	(236)
Administrative expenses	7	(21,704)	(22,459)
Net impairment reversal/(losses) on financial and contract assets		38	(218)
Other losses — net	8	(4,466)	(5,246)
Operating loss		(8,400)	(14,323)
Finance income — net	9	477	5,234
Loss before income tax		(7,923)	(9,089)
Income tax (expense)/credit	10	(519)	1,330
Loss for the period		(8,442)	(7,759)
Loss attributable to:			
— Owners of the Company		(8,073)	(7,342)
— Non-controlling interests		(369)	(417)
		(8,442)	(7,759)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	52,590	57,446
Right-of-use assets	13	5,443	6,693
Intangible assets		7	33
Deferred tax assets		9,994	9,852
Investment properties	13	14,978	15,234
Prepayments for non-current assets	14	28,078	24,763
		111,090	114,021
Current assets			
Inventories		34,304	45,891
Trade receivables	15	193,634	220,836
Contract assets	6(a)	36,807	44,351
Prepayments and other receivables	16	13,561	8,791
Financial assets at fair value through profit or loss	17	46,942	52,146
Restricted cash at banks		37,855	43,960
Cash and cash equivalents	18	30,262	47,270
		393,365	463,245
Total assets		504,455	577,266

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	3,508	3,508
Other reserves		212,519	223,675
Retained earnings		132,233	140,306
		348,260 (6,394)	367,489 (6,229)
Non-controlling interests			
		341,866	361,260
LIABILITIES			
Non-current liabilities			
Lease liabilities		120	272
Deferred tax liabilities		6,206	7,200
		6,326	7,472
Current liabilities			
Trade and notes payable	20	104,920	142,184
Other payables and accruals	21	15,329	24,317
Current income tax liabilities		14,290	17,349
Borrowings	22	20,590	22,389
Lease liabilities		1,134	2,295
		156,263	208,534
Total liabilities			
		162,589	216,006
Total equity and liabilities			
		504,455	577,266

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000
	Share capital	Other reserves	Retained earnings	Total			
	HK\$'000 (Note 19)	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Six months ended 30 June 2022							
(Unaudited)							
Balance at 1 January 2022	3,508	260,415	193,413	457,336	(6,519)	450,817	
Comprehensive loss							
— Loss for the period	–	–	(7,342)	(7,342)	(417)	(7,759)	
— Other comprehensive loss	–	(19,910)	–	(19,910)	295	(19,615)	
Total comprehensive loss	–	(19,910)	(7,342)	(27,252)	(122)	(27,374)	
Balance at 30 June 2022	3,508	240,505	186,071	430,084	(6,641)	423,443	
Six months ended 30 June 2023							
(Unaudited)							
Balance at 1 January 2023	3,508	223,675	140,306	367,489	(6,229)	361,260	
Comprehensive loss							
— Loss for the period	–	–	(8,073)	(8,073)	(369)	(8,442)	
— Other comprehensive loss	–	(11,156)	–	(11,156)	204	(10,952)	
Total comprehensive loss	–	(11,156)	(8,073)	(19,229)	(165)	(19,394)	
Balance at 30 June 2023	3,508	212,519	132,233	348,260	(6,394)	341,866	

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<i>Note</i>		
Cash flows from operating activities		
Cash generated from operations	(2,461)	35,476
PRC enterprise income tax paid	(4,394)	(3,827)
Net cash (used in)/generated from operating activities	(6,855)	31,649
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,385)	(804)
Prepayments for non-current assets	(4,238)	(45,119)
Disposal of property, plant and equipment	1,172	62
Increase in restricted cash at banks	4,914	14,825
Loans to third parties	(6,526)	(31,359)
Repayments of loans from third parties	–	31,359
Purchase of financial assets at fair value through profit or loss	–	(68,131)
Net proceed from disposal of financial assets at fair value through profit or loss	495	66,775
Interest income from bank deposits	339	371
Interest income from other financial assets	534	189
Net cash used in investing activities	(6,695)	(31,832)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cash flows from financing activities			
Interest paid		(359)	(421)
Proceeds from borrowings		10,108	24,123
Repayments of borrowings		(11,251)	–
Principal elements of operating lease payments		(1,172)	(1,223)
Interests elements of operating lease payments		(38)	(116)
Net cash (used in)/generated from financing activities		(2,712)	22,363
Net (decrease)/increase in cash and cash equivalents		(16,262)	22,180
Cash and cash equivalents at beginning of the period		47,270	70,599
Effect of change in exchange rate		(746)	(4,064)
Cash and cash equivalents at end of the period	<i>18</i>	30,262	88,715

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 and ecological restoration 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 2023 (“**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 2023.

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 2022 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 2022, as described in those annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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 2023:

		Effective for reporting periods beginning on or after
HKFRS 17	Insurance Contracts	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

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 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

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 2023 and have not been early adopted by the Group:

		Effective for reporting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024*
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

* Applied when an entity applies “Classification of Liabilities as Current or Non-current — Amendments to HKAS 1”.

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 2022.

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 exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the Board.

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 December 2022.

There have been no changes in the risk management policies since period 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 at banks, trade receivables, contract assets and other receivables.

(i) Risk management

As at 30 June 2023, substantially all (31 December 2022: same) the Group's bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk (31 December 2022: same).

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(continued)

4.2 Credit risk (continued)

(i) Risk management (continued)

As at 30 June 2023, approximately 78.5% (31 December 2022: 78.4%) of the Group's trade receivables were due from the five largest customers. In respect of trade receivables and other receivables, periodical credit evaluations are performed taking into account the counterparty's financial position, past experience, future economic environment and other factors.

None of the Group's trade receivables and other receivables has any 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.

4.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into Level 1 prescribed under the accounting standards. An explanation of Level 1 to 3 follows underneath the table.

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss ("FVPL")			
At 30 June 2023 (unaudited)	46,942	–	46,942
At 31 December 2022 (audited)	51,066	1,080	52,146

In April 2023, an equity investment of the Group resumed trading after suspension over 12 months. The Group determines the fair value of the investment using quoted prices, and reclassified it from level 2 into level 1.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(continued)

4.3 Fair value estimation *(continued)*

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

For the six months ended 30 June 2023, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

The carrying amounts of the Group's cash and cash equivalents, restricted cash at banks, trade receivables, other receivables, trade and notes payable, lease liabilities and other payables and accruals approximate their fair values due to their short maturities.

5 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 FVPL.

Segment assets exclude financial assets at FVPL, investment properties 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, investment properties, prepayments for non-current assets and right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

(a) The segment results and other segment items of the Group for the six months ended 30 June 2023 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	70,806	(121)	50	70,735
Segment results	11,007	(14,788)	50	(3,731)
Other losses arising from financial assets at FVPL				(4,669)
Operating loss				(8,400)
Finance income — net				477
Loss before income tax				(7,923)
Income tax expense				(519)
Loss for the period				(8,442)
Other segment item Depreciation and amortisation	3,809	1,579	–	5,388

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

(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	69,257	8,763	193	78,213
Segment results	16,963	(26,254)	193	(9,098)
Other losses arising from financial assets at FVPL				(5,225)
Operating loss				(14,323)
Finance income — net				5,234
Loss before income tax				(9,089)
Income tax credit				1,330
Loss for the period				(7,759)
Other segment item				
Depreciation and amortisation	2,870	2,257	—	5,127

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

(b) The segment assets and liabilities at 30 June 2023 are as follows:

	Cigarette Packaging Business HK\$'000 (Unaudited)	Environmental Treatment Business HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Inter-segment elimination HK\$'000 (Unaudited)	The Group HK\$'000 (Unaudited)
Segment assets	382,730	216,896	16,129	(183,214)	432,541
Investment properties					14,978
Financial assets at FVPL					46,942
Deferred tax assets					9,994
Total assets					504,455
Segment liabilities	74,225	251,082	-	(183,214)	142,093
Current income tax liabilities					14,290
Deferred tax liabilities					6,206
Total liabilities					162,589
Capital expenditures	7,988	-	-	-	7,988

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

(b) The segment assets and liabilities at 31 December 2022 are as follows:

	Cigarette Packaging Business HK\$'000 (Audited)	Environmental Treatment Business HK\$'000 (Audited)	Others HK\$'000 (Audited)	Inter-segment elimination HK\$'000 (Audited)	The Group HK\$'000 (Audited)
Segment assets	417,738	250,741	16,647	(185,092)	500,034
Investment properties					15,234
Financial assets at FVPL					52,146
Deferred tax assets					9,852
Total assets					577,266
Segment liabilities	110,606	265,943	-	(185,092)	191,457
Current income tax liabilities					17,349
Deferred tax liabilities					7,200
Total liabilities					216,006
Capital expenditures	46,556	22,918	-	-	69,474

As at 30 June 2023, majority of the Group's non-current assets were located in the PRC (31 December 2022: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
At a point in time		
— Sales of cigarette packaging products	70,806	69,257
— Agency services	50	193
— Revenue from design and consulting services	–	478
	70,856	69,928
Over time		
Revenue from environmental and ecological restoration contracts		
— Construction services	(2,275)	3,004
— Maintenance services	2,154	5,281
	(121)	8,285
	70,735	78,213

Reversal of revenue from construction services was mainly due to the increase of unpredictable costs for environmental and ecological restoration contracts.

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	62.3%	49.0%
Customer B	37.5%	39.2%

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

6 REVENUE *(continued)*

(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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contract assets relating to construction contracts	36,848	44,401
Loss allowance	(41)	(50)
Total contract assets	36,807	44,351

(i) Significant changes in contract assets

Decrease in contract assets was a result of the Group having provided fewer 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold	43,097	38,104
Staff costs (including directors' emoluments)	16,845	20,217
Raw materials consumed and subcontracting costs for construction contracts	2,267	12,215
Depreciation and amortisation		
— Amortisation of intangible assets	26	47
— Depreciation of property, plant and equipment (Note 13)	4,014	3,513
— Depreciation of right-of-use assets (Note 13)	984	1,567
— Depreciation of investment properties (Note 13)	364	—
Utilities	1,467	2,709
Other taxes and surcharge	379	1,300
Auditor's remuneration		
— Audit service	1,169	1,019
— Non-audit service	135	386

8 OTHER LOSSES — NET

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Foreign exchange gain/(loss)	203	(21)
Dividend income from financial assets at FVPL	480	948
Losses on disposal of property, plant and equipment	(1,380)	—
Net fair value losses on financial assets at FVPL	(3,769)	(6,173)
	(4,466)	(5,246)

9 FINANCE INCOME — NET

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Finance income		
— Interest income from bank deposits	534	371
— Interest income from other financial assets (a)	339	189
— Interest income from third parties	—	5,211
	873	5,771
Finance cost		
— Interest expenses on borrowing	(359)	(421)
— Interest expenses on lease liabilities	(37)	(116)
	(396)	(537)
	477	5,234

- (a) Other financial assets comprised certain non-derivative wealth management products with fixed or determinable payment terms of less than 180 days from a financial institution. As at 30 June 2023, all these financial assets were matured (30 June 2022: same).

10 INCOME TAX (EXPENSE)/CREDIT

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

The Company's operating subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the assessable profits arising in Hong Kong during the six months ended 30 June 2023. For the six months ended 30 June 2023, the Group is eligible to nominate one Hong Kong incorporated entity in the Group, which is Huge East Investment Limited, to be taxed under a two tiered profits tax rate system, whereby profits tax will be chargeable on the first HKD2,000,000 of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5% (six months ended 30 June 2022: same). Hong Kong profits tax of the other Hong Kong incorporated group entities has been provided for at a rate of 16.5% on the estimated assessable profits. The profit of the other Hong Kong incorporated group entities is mainly derived from dividend income from subsidiaries and interest income from banks, which is not subject to Hong Kong profits tax.

Pursuant to the PRC Enterprise Income Tax Law ("**EIT Law**") and the Implementation Rules of the EIT Law, the EIT rate for domestic enterprises and foreign invested enterprises is 25%, effective from 1 January 2008.

On 1 December 2020, Shantou Xinda Colour Printing & Packaging Material Co. Ltd. ("**Shantou Xinda**"), the Group's subsidiary in the PRC, successfully renewed the High and New Technology Enterprise Certificate ("**the Certificate**") which was effective for three years commencing on 1 January 2020. As there is no change to the relevant laws and regulations, the directors assess and consider that Shantou Xinda will continue to be granted the preferential tax treatment through an application of renewal. Accordingly, a tax rate of 15% has been applied when considering current income tax for the period and the deferred income tax for the six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

10 INCOME TAX (EXPENSE)/CREDIT *(continued)*

According to the EIT Law and Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% will be levied on the intermediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the intermediate 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 Hong Kong. Hence, the Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies which are expected to fulfill the aforesaid conditions.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	(1,588)	(2,027)
Deferred income tax		
— PRC corporate income tax	524	4,128
— Withholding income tax on profit to be distributed from subsidiaries in the PRC	545	(771)
	(519)	1,330

There were no income tax charges relating to components of other comprehensive income existed for the six months ended 30 June 2023 (six months ended 30 June 2022: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 LOSSES PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(8,073)	(7,342)
Weighted average number of ordinary shares in issue	701,430,000	701,430,000
Basic losses per share	HK(1.15) cents	HK(1.05) cents

(b) Diluted

Diluted losses per share adjusts the figures used in the determination of basic losses 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 per share equals to basic losses per share as there were no potential diluted shares outstanding for the six months ended 30 June 2023 and 2022.

12 DIVIDENDS

No interim dividend for the six months ended 30 June 2023 has been declared (six months ended 30 June 2022: nil).

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS

	Property, plant and equipment HK\$'000 (Unaudited)	Investment Properties HK\$'000 (Unaudited)	Right-of-use assets HK\$'000 (Unaudited)
At 1 January 2022			
Cost	117,463	–	17,318
Accumulated depreciation	(78,962)	–	(7,498)
Net book amount	38,501	–	9,820
Six months ended 30 June 2022			
Opening net book amount	38,501	–	9,820
Additions	804	–	528
Disposals	(62)	–	–
Depreciation	(3,513)	–	(1,567)
Currency translation differences	(1,605)	–	(381)
Closing net book amount	34,125	–	8,400
At 30 June 2022			
Cost	113,019	–	13,938
Accumulated depreciation	(78,894)	–	(5,538)
Net book amount	34,125	–	8,400

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS *(continued)*

	Property, plant and equipment HK\$'000 (Unaudited)	Investment Properties HK\$'000 (Unaudited)	Right-of-use assets HK\$'000 (Unaudited)
At 1 January 2023			
Cost	136,759	15,427	12,837
Accumulated depreciation	(79,313)	(193)	(6,144)
Net book amount	57,446	15,234	6,693
Six months ended 30 June 2023			
Opening net book amount	57,446	15,234	6,693
Additions	3,386	591	–
Disposals	(2,553)	–	(96)
Depreciation	(4,014)	(364)	(984)
Currency translation differences	(1,675)	(483)	(170)
Closing net book amount	52,590	14,978	5,443
At 30 June 2023			
Cost	121,789	15,516	12,345
Accumulated depreciation	(69,199)	(538)	(6,902)
Net book amount	52,590	14,978	5,443

14 PREPAYMENTS FOR NON-CURRENT ASSETS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Prepayment for an intangible asset	10,846	11,194
Prepayments for property, plant and equipment	6,386	2,374
Prepayment for an investment (a)	21,692	22,389
	38,924	35,957
Less: provision for impairment of prepayment for an intangible asset	(10,846)	(11,194)
	28,078	24,763

(a) The amount represented a prepayment for equity investment to an independent third party company.

15 TRADE RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables (a)	223,504	251,685
Less: allowance for impairment of trade receivables	(29,870)	(30,849)
	193,634	220,836

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE RECEIVABLES *(continued)*

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 90 days	26,932	41,598
91 days to 180 days	3,578	1,469
181 days to 365 days	6,335	8,867
Over 365 days	186,659	199,751
	223,504	251,685

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

16 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Prepayments	4,088	6,409
Other receivables(a)	13,856	7,029
Less: allowance for impairment of other receivables	(4,383)	(4,647)
	13,561	8,791

(a) As at 30 June 2023, other receivables mainly included loans of RMB9,800,000 (equivalent to HK\$10,629,000) to an independent third party, which were unsecured, interest bearing and receivable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(b) The Group's other receivables were denominated in the following currencies:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Denominated in RMB	13,504	6,658
Denominated in HK\$	352	371
	13,856	7,029

17 FINANCIAL ASSETS AT FVPL

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Listed securities — held for trading		
— Equity securities — denominated in HK\$	7,563	8,998
— Equity securities — denominated in RMB	39,379	43,148
	46,942	52,146

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Denominated in RMB	28,125	46,414
Denominated in HK\$	2,137	856
	30,262	47,270

The Group's cash and bank balances of HK\$28,125,000 (31 December 2022: HK\$46,414,000) denominated in RMB were deposited with banks in the PRC. 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 regulations of foreign exchange control promulgated by the PRC government.

19 SHARE CAPITAL

Authorised share capital	Number of ordinary shares	
		HK\$
At 31 December 2022 and 30 June 2023	4,000,000,000	20,000,000

Ordinary shares, issued and fully paid:	Number of issued shares	Share capital HK\$
At 31 December 2022 and 30 June 2023	701,430,000	3,507,150

20 TRADE AND NOTES PAYABLE

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables (a)	68,379	103,349
Notes payable — bank acceptance notes	36,541	38,835
	104,920	142,184

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 90 days	49,914	84,063
91 days to 180 days	2,255	4,277
Over 180 days	16,210	15,009
	68,379	103,349

(b) The Group's trade and notes payable were denominated in RMB as at 30 June 2023 (31 December 2022: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 OTHER PAYABLES AND ACCRUALS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Other tax payables	5,648	11,803
Accrual for staff costs and allowances	7,333	9,984
Other payables	2,348	2,530
	15,329	24,317

The carrying amounts of the Group's other payables and accruals were denominated in the following currencies:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Denominated in RMB	15,142	24,273
Denominated in HK\$	187	44
	15,329	24,317

22 BORROWINGS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Bank loans	20,590	22,389

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

23 COMMITMENTS

(a) Capital Commitments

As at 30 June 2023 and 31 December 2022, the Group had the following capital commitments:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Capital expenditure in respect of the addition of property and equipment contracted for but not provided	5,438	4,421

24 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name	Relationship
Mr. Zheng Andy Yi Sheng	Controlling shareholder
Mr. Zheng Minsheng	Executive director and the deputy general manager of the Group and the younger brother of Mr. Zheng Andy Yi Sheng

(b) Balances with related parties

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Lease liabilities		
— Mr. Zheng Andy Yi Sheng (i)	—	457
Other payables (ii)		
— Mr. Zheng Andy Yi Sheng	—	15
— Mr. Zheng Minsheng	—	85
	—	100

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties *(continued)*

- (i) The Group had entered into certain lease agreements with Mr. Zheng Andy Yi Sheng to lease office buildings located in the PRC. The liabilities were denominated in RMB and unsecured.
- (ii) Other payables are directors' fees denominated in HK\$, unsecured, interest-free and repayable on demand.

(c) Key management compensations

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other employee benefits	2,042	2,001
Contribution to pension plans	41	48
	2,083	2,049

(d) Transaction with related parties

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expenses on lease liabilities — Mr. Zheng Andy Yi Sheng <i>(Note (b)(i))</i>	12	25