



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 2024



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zheng Andy Yi Sheng (*Chairman*)

Mr. Zheng Minsheng

### Non-executive Director

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. Lai Chi Fung

## AUTHORISED REPRESENTATIVES

Mr. Zheng Andy Yi Sheng

Mr. Lai Chi Fung

## 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

Units 1906-07, 19/F., 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, China

## REGISTERED OFFICE

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman, KY1-1108

Cayman Islands

**PRINCIPAL SHARE REGISTRAR  
AND TRANSFER OFFICE**

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO 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, 17<sup>th</sup> 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**

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

**STOCK CODE**

1689

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATION REVIEW

The principal activities of the Group were Cigarette Packaging Business and Environmental Treatment Business in China.

During the Reporting Period, the Group recorded revenue of approximately HK\$62.62 million, representing a decrease of approximately HK\$8.12 million or 11.5% as compared to HK\$70.74 million for FP2023 and loss attributable to owners of the Company of approximately HK\$20.99 million, representing an increase of approximately HK\$12.92 million or approximately 160.1% as compared to the loss attributable to owners of the Company of approximately HK\$8.07 million for FP2023.

### Cigarette Packaging Business

During the Reporting Period, the overall revenue and profitability of the Cigarette Packaging Business were adversely affected by the weak consumer market, intense competition, declining demand from key customers and rising raw material prices. Revenue of the Cigarette Packaging Business for FP2024 was approximately HK\$58.45 million, representing a decrease of HK\$12.36 million or 17.5% compared to approximately HK\$70.81 million for FP2023.

The following table sets forth the breakdown of the Group's revenue from sales of cigarette packaging materials for FP2024 and FP2023:

	FP2024		FP2023	
	HK\$'000	%	HK\$'000	%
Inner frame paper	36,948	63.2	32,499	45.9
Tipping paper	14,996	25.7	27,026	38.2
Cigarette box frame paper	3,924	6.7	8,673	12.2
Cigarette trademark label	2,577	4.4	2,608	3.7
Total	58,445	100.0	70,806	100.0

### Environmental Treatment Business

With the gradual completion of some existing construction projects and the income from river ecological maintenance during the Reporting Period, the Environmental Treatment Business recorded a revenue of approximately HK\$4.07 million, compared to a revenue reversal of approximately HK\$0.12 million for FP2023.

## **BUSINESS AND OPERATION REVIEW** *(continued)*

### **Gross profit and gross profit margin**

The gross profit of the Group for FP2024 was approximately HK\$9.03 million (FP2023: HK\$17.92 million) which consisted of gross profit of approximately HK\$16.51 million (FP2023: HK\$23.25 million) from the Cigarette Packaging Business and gross loss of HK\$7.48 million (FP2023: gross loss HK\$5.33 million) from the Environmental Treatment Business.

The gross profit margin of the Group for FP2024 was 14.4%, a decrease of 10.9% as compared to 25.3% for FP2023. This was mainly due to (i) the decrease in gross profit margin of the Cigarette Packaging Business and (ii) the increase in gross loss contributed by the Environment Treatment Business, as no new ecological restoration projects were awarded during the Reporting Period but additional costs were incurred for the maintenance of existing projects.

The gross profit margin of the Cigarette Packaging Business was approximately 28.2%, a decrease of 4.6% as compared to 32.8% for FP2023. The decrease in gross profit margin was mainly due to the decrease in sales from the Cigarette Packaging Business and the increase in raw material prices during the Reporting Period.

### **Distribution costs**

The distribution costs of the Group for the Reporting Period were amounted to approximately HK\$0.28 million, representing an increase of HK\$0.09 million compared to approximately HK\$0.19 million for FP2023.

### **Administrative expenses**

The administrative expenses of the Group for the Reporting Period were approximately HK\$18.20 million (FP2023: HK\$21.70 million), a decrease of 16.1% or approximately HK\$3.50 million.

### **Net impairment losses/reversal on financial and contract assets**

During the Reporting Period, the net impairment losses on financial and contract assets were approximately HK\$0.01 million compared to a net impairment reversal of HK\$0.04 million for FP2023.

### **Other Losses – Net**

The net other losses of the Group for FP2024 were approximately HK\$11.78 million (FP2023: HK\$4.47 million), mainly due to the volatility in the securities markets of Hong Kong and China. The Group recognised dividend income from financial assets at fair value through profit or loss (“**FVPL**”) of approximately HK\$0.14 million (FP2023: HK\$0.48 million) and net fair value losses on financial assets at FVPL of approximately HK\$10.97 million (FP2023: HK\$3.77 million) for the Reporting Period.

## **BUSINESS AND OPERATION REVIEW** *(continued)*

### **Finance cost/income – net**

During the Reporting Period, the net finance cost/income of the Group mainly consisted of interest income on certain non-derivative wealth management products and bank deposits and interest expenses on borrowings and lease liabilities. The net finance cost for the Reporting Period was approximately HK\$0.12 million (FP2023: net finance income of HK\$0.48 million).

### **Income tax credit/expense**

The income tax credit for FP2024 was approximately HK\$0.31 million compared to the income tax expense of HK\$0.52 million for FP2023. The Group's indirect wholly-owned subsidiary, Shantou Xinda, was granted a preferential tax rate of 15%.

### **Loss attributable to owners of the Company**

The Group recorded a loss attributable to owners of the Company for FP2024 of approximately HK\$20.99 million, representing an increase of approximately HK\$12.92 million or approximately 160.1%, as compared to the loss attributable to owners of the Company of approximately HK\$8.07 million for FP2023.

### **Interim dividend**

The Board does not recommend the payment of an interim dividend for the Reporting Period (FP2023: nil).

### **Financial assets at FVPL**

The Group adopted a prudent attitude in its securities investments. 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 fair value of the listed securities are determined with reference to the quoted market prices available on the relevant stock exchanges. The Group's total net loss from the listed securities for FP2024 was approximately HK\$10.83 million (FP2023: HK\$3.29 million), including the loss on change in fair value of HK\$10.97 million (FP2023: HK\$3.77 million) due to the volatility in the securities markets. The management invests in these shares with the expectation that the price will be stable and gradually increase in line with the upward trend of the securities market in China and Hong Kong in the long term.

**BUSINESS AND OPERATION REVIEW** *(continued)*
**Financial assets at FVPL** *(continued)*

As at 30 June 2024, the financial assets at FVPL held by the Group are as follow:

	30 June 2024		31 December 2023	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Equity securities listed in Hong Kong:				
Sunac China (1918)	400,000	460	400,000	600
BABA-SW (9988)	10,000	705	30,000	2,268
Tencent (0700)	5,000	1,862	5,000	1,468
Other equity securities <i>(Note 1)</i>		1,594		2,451
Equity securities listed in China:				
Guangdong Liantai 聯泰環保 (603797)	1,260,972	4,311	1,260,972	7,681
Sino Daan 中達安 (300635)	919,189	7,604	715,489	9,933
Guangdong Tonze Electric 天際股份 (002759)	750,000	5,654	1,255,200	14,696
Other equity securities <i>(Note 2)</i>		495		1,775
		<b>22,685</b>		40,872

*Notes:*

- (1) Other listed equity securities comprised 3 equity securities listed in Hong Kong (31 December 2023: 6).
- (2) Other listed equity securities comprised 3 equity securities listed in China (31 December 2023: 4).



**BUSINESS AND OPERATION REVIEW** *(continued)*

**Capital structure, liquidity and financial resources**

As at 30 June 2024, the Group had net assets of HK\$291.51 million (31 December 2023: HK\$315.20 million) and working capital surplus of HK\$156.49 million (31 December 2023: HK\$174.66 million).

As at 30 June 2024, the total cash and cash equivalents and restricted cash balances of the Group amounted to approximately HK\$44.65 million (31 December 2023: HK\$46.13 million), including restricted cash at banks of HK\$33.74 million (31 December 2023: HK\$33.79 million) of which all (31 December 2023: all) were denominated in RMB and cash and cash equivalents of HK\$10.91 million (31 December 2023: HK\$12.34 million) of which HK\$9.06 million (31 December 2023: HK\$11.57 million) were denominated in RMB and HK\$0.03 million (31 December 2023: HK\$nil) were denominated in US\$.

The following table sets forth the unaudited cash flows for FP2024 and FP2023:

	<b>FP2024 HK\$'000</b>	FP2023 HK\$'000
Net cash used in operating activities	<b>(1,865)</b>	(6,855)
Net cash generated from/(used in) investing activities	<b>7,510</b>	(6,695)
Net cash used in financing activities	<b>(6,651)</b>	(2,712)
Net decrease in cash and cash equivalents	<b>(1,006)</b>	(16,262)
Cash and cash equivalents at the beginning of the period	<b>12,341</b>	47,270
Effect on change in exchange rates	<b>(424)</b>	(746)
Cash and cash equivalents at the end of the period	<b>10,911</b>	30,262

Sources of funds of the Group are mainly cash inflows from operating activities and bank borrowings. The Group regularly monitors its liquidity position, projected liquidity requirements and its compliance with lending covenants, as well as maintains long-term sound relationships with major banks to ensure that it has sufficient liquidity to meet its working capital requirements and future development needs.

## **BUSINESS AND OPERATION REVIEW** *(continued)*

### **Borrowings and gearing ratio**

As at 30 June 2024, the Group's borrowings of approximately HK\$16.98 million (31 December 2023: HK\$22.62 million) were fixed-rate borrowings denominated in RMB, which were secured by the personal guarantee provided by the controlling Shareholder, bearing interest rate of 3.70% (31 December 2023: ranged from 3.70% to 4.00%) per annum and maturing in one year.

The Group's gearing 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 consolidated financial statements plus net borrowings. As at 30 June 2024, the gearing ratio was 3.33% (31 December 2023: 4.08%).

### **Exposure to fluctuations in exchange rates**

The Group's transactions for its principal subsidiaries in China were mainly conducted in RMB, the functional currency of the subsidiaries, and the major receivables and payables of the Group 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, trade receivables, prepayments and other receivables, other payables and accruals and lease liabilities that were denominated in HK\$. Presently, the Group has no hedging policy in place with respect to the foreign exchange exposure.

### **Capital expenditure and commitments**

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK\$2.04 million (FP2023: HK\$7.99 million), which was used in the acquisition of property, plant and equipment, intangible assets, investment properties, prepayments for non-current assets and right-of-use assets.

As at 30 June 2024, the Group had capital commitments for the amount of approximately HK\$4.09 million (31 December 2023: HK\$4.31 million) for acquisition of property, plant and equipment.

### **Charge on assets**

As at 30 June 2024, the Group placed cash deposits of approximately HK\$33.74 million (31 December 2023: HK\$33.79 million), which consisted of deposits of HK\$32.85 million (31 December 2023: HK\$32.44 million) as collateral for the Group's notes payable and deposits of HK\$0.89 million (31 December 2023: HK\$1.35 million) as performance guarantee letter deposits, which were all denominated in RMB.

## **BUSINESS AND OPERATION REVIEW** *(continued)*

### **Contingent liabilities**

The Group had no contingent liabilities as at 30 June 2024 and 31 December 2023.

### **Material acquisitions and disposals for subsidiaries, associates and joint ventures**

The Group did not have any material acquisitions and disposals relating to subsidiaries, associates and joint ventures during the Reporting Period.

## **FUTURE OUTLOOK AND PROSPECTS**

Looking ahead, both the Cigarette Packaging Business and the Environmental Treatment Business will remain challenging for the remainder of 2024.

The Cigarette Packaging Business remains the core business of the Group, and we will continue to strengthen our relationships and maintain our excellent reputation with our existing customers, as well as seek new customers to enhance our presence in the cigarette packaging materials market.

Despite creating a better environment, promoting green development and fostering a harmonious coexistence between man and nature remains the policy direction of the PRC government, the Environmental Treatment Business will remain tough in the near future and the chances of awarding new ecological restoration projects will still be low in light of the fiscal stress of the local governments.

In order to broaden the Group's revenue streams and create more value for our Shareholders, we will continue to pursue our strategy of concentric and diversified development and strive to seek new business opportunities.

## **HUMAN RESOURCES**

As at 30 June 2024, the Group employed a total of 273 (31 December 2023: 288) permanent employees in China and Hong Kong. Total employee remuneration (including Directors' emoluments and benefits) for the Reporting Period amounted to HK\$15.68 million (FP2023: HK\$16.85 million). The Group offered competitive remuneration packages to its employees based on their performance, qualification and experience and will continue to review with reference to the level and composition of remuneration and the general market conditions. In addition to basic salaries, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes and discretionary incentives.

# OTHER INFORMATION

## **CORPORATE GOVERNANCE PRACTICES**

The Group strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the Board believes that effective governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted and applied the principles of the code provisions of the CG Code.

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 Reporting Period and, where appropriate, the applicable recommended best practices of the CG Code, save the followings:

### **Code Provision C.2.1**

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

Mr. Zheng Andy Yi Sheng is the chairman of the Board and the CEO of the Group. 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 and the substantial decisions are left to the Board (including INEDs), the Board considers that vesting the roles of both chairman and CEO 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.5.1**

Code Provision C.5.1 stipulates that the Board should meet regularly and Board meeting should be held at least four times a year approximately quarterly intervals. During the Reporting Period, only one regular Board meeting was held to review and discuss the annual results of the Company. Since the Company does not announce its quarterly results, the Board does not consider the holding of quarterly meetings as necessary. Instead, the Board meets on other occasions when a Board-level decision on a particular matter is required.

### **CORPORATE GOVERNANCE PRACTICES** *(continued)*

#### **Code Provision D.1.2**

Pursuant to 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 of the Listing Rules. During the Reporting Period, the management of the Company did not provide monthly updates to all members of the Board as required by the Code Provision D.1.2, as all the executive Directors are involved in the daily operation of the Group and are fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including INEDs) periodically updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the management has provided all Directors, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

The Board will continue to review the corporate governance status of the Company from time to time and make any necessary changes to comply with the CG Code.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code. Specific enquiry has been made of all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

### 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 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 respectively for the details of the New Share Option Scheme. The New Share Option Scheme is to recognise the past contribution and future performance of the Directors, chief executive, employees, suppliers, 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 commencing on 16 June 2023. 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 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 and after 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 the Shareholders, 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 participants 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 21 business days inclusive of, and from the date of the offer of grant of the option. A non-refundable consideration of HK\$1.00 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 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.

No share option was granted or exercised under the New Share Option Scheme during the Reporting Period.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Long positions in ordinary Shares

Name of Directors	Capacity/ Nature of interest	Number of ordinary Shares held	Total	Percentage of the Company's issued share capital <i>(Note (iii))</i>
Mr. Zheng Andy Yi Sheng <i>(Note (i))</i>	Interest in a controlled corporation	450,000,000	450,000,000	64.15
Mr. Zheng Minsheng	Beneficial owner	1,200,000	1,200,000	0.17
Mr. Lau Kwok Hung	Beneficial owner	400,000	400,000	0.06

#### Notes:

- (i) 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.
- (ii) The approximate percentage of interests held was calculated on the basis of 701,430,000 ordinary Shares in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, none of the Directors and the chief executive of the Company or any of their spouses or children under 18 years old had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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

As at 30 June 2024, to the best knowledge of the Directors, the following persons had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of the Company required to be kept under section 336 of the SFO:

### Long positions in ordinary Shares

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary Shares held	Percentage of the Company's issued share capital <i>(Note (iii))</i>
SXD Limited <i>(Note (i))</i>	Beneficially owned	450,000,000	64.15
Mr. Zheng Andy Yi Sheng <i>(Note (i))</i>	Interest in a controlled corporation	450,000,000	64.15
Ms. Chan Annie Ni <i>(Note (ii))</i>	Interest of spouse	450,000,000	64.15

Notes:

- (i) The entire issued share capital of SXD Limited was legally and beneficially owned by Mr. Zheng Andy Yi Sheng.
- (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 in issue as at 30 June 2024.

Save as disclosed above, the Company had not been notified by any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO as at 30 June 2024.

## AUDIT COMMITTEE

The Audit Committee has reviewed the interim report of the Group for the Reporting Period.

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

Hong Kong, 28 August 2024

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	6	62,615	70,735
Cost of sales	7	(53,590)	(52,811)
<b>Gross profit</b>		<b>9,025</b>	17,924
Distribution costs	7	(276)	(192)
Administrative expenses	7	(18,198)	(21,704)
Net impairment (losses)/reversal on financial and contract assets		(6)	38
Share of loss of an associate accounted for using the equity method		(11)	–
Other losses – net	8	(11,775)	(4,466)
<b>Operating loss</b>		<b>(21,241)</b>	(8,400)
Finance (cost)/income – net	9	(118)	477
<b>Loss before income tax</b>		<b>(21,359)</b>	(7,923)
Income tax credit/(expense)	10	313	(519)
<b>Loss for the period</b>		<b>(21,046)</b>	(8,442)
<b>Loss attributable to:</b>			
– Owners of the Company		(20,987)	(8,073)
– Non-controlling interests		(59)	(369)
		<b>(21,046)</b>	(8,442)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 HK\$'000 (Unaudited)
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences on translation to presentation currency		<b>(2,643)</b>	(10,952)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(2,643)</b>	(10,952)
<b>Total comprehensive loss for the period</b>		<b>(23,689)</b>	(19,394)
<b>Total comprehensive loss attributable to:</b>			
– Owners of the Company		<b>(23,672)</b>	(19,229)
– Non-controlling interests		<b>(17)</b>	(165)
		<b>(23,689)</b>	(19,394)
<b>Losses per share attributable to owners of the Company (expressed in HK cent per Share)</b>			
– Basic and diluted losses per Share	11	<b>HK(2.99) cents</b>	HK(1.15) cents

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	48,254	54,309
Right-of-use assets	13	7,902	7,366
Intangible assets		27	29
Investment properties	14	14,752	15,223
Prepayments for non-current assets	15	26,830	26,795
Deferred tax assets		11,806	11,577
Other non-current assets	17	31,552	31,757
		<b>141,123</b>	147,056
<b>Current assets</b>			
Inventories		20,509	28,543
Contract assets	6(a)	41,372	46,062
Trade receivables	16	172,444	174,927
Prepayments and other receivables	17	4,792	4,907
Financial assets at fair value through profit or loss	18	22,685	40,872
Restricted cash at banks	19	33,738	33,790
Cash and cash equivalents	20	10,911	12,341
		<b>306,451</b>	341,442
<b>Total assets</b>		<b>447,574</b>	488,498

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	21	3,508	3,508
Other reserves		216,673	219,157
Retained earnings		77,934	99,122
		<b>298,115</b>	321,787
<b>Non-controlling interests</b>		<b>(6,603)</b>	(6,586)
<b>Total equity</b>		<b>291,512</b>	315,201
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,030	1,162
Deferred tax liabilities		5,067	5,350
		<b>6,097</b>	6,512
<b>Current liabilities</b>			
Trade and notes payables	22	101,646	106,262
Other payables and accruals	23	15,156	21,243
Current income tax liabilities		13,236	14,696
Borrowings	24	16,982	22,622
Lease liabilities		2,945	1,962
		<b>149,965</b>	166,785
<b>Total liabilities</b>		<b>156,062</b>	173,297
<b>Total equity and liabilities</b>		<b>447,574</b>	488,498

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)				Non-controlling interests HK\$'000	Total HK\$'000
	Attributable to owners of the Company			Total HK\$'000		
	Share capital HK\$'000 <i>(Note 21)</i>	Other reserves HK\$'000	Retained earnings HK\$'000			
<b>Balance at 1 January 2023</b>	3,508	223,675	140,306	367,489	(6,229)	361,260
<b>Changes in equity for the six months ended 30 June 2023:</b>						
Loss for the period	-	-	(8,073)	(8,073)	(369)	(8,442)
Other comprehensive (loss)/income	-	(11,156)	-	(11,156)	204	(10,952)
Total comprehensive loss	-	(11,156)	(8,073)	(19,229)	(165)	(19,394)
<b>Balance at 30 June 2023</b>	3,508	212,519	132,233	348,260	(6,394)	341,866
<b>Balance at 1 January 2024</b>	<b>3,508</b>	<b>219,157</b>	<b>99,122</b>	<b>321,787</b>	<b>(6,586)</b>	<b>315,201</b>
<b>Changes in equity for the six months ended 30 June 2024:</b>						
Loss for the period	-	-	(20,987)	(20,987)	(59)	(21,046)
Other comprehensive (loss)/income	-	(2,685)	-	(2,685)	42	(2,643)
Total comprehensive loss	-	(2,685)	(20,987)	(23,672)	(17)	(23,689)
Transfer currency translation differences of a terminated subsidiary to retained earnings	-	201	(201)	-	-	-
<b>Balance at 30 June 2024</b>	<b>3,508</b>	<b>216,673</b>	<b>77,934</b>	<b>298,115</b>	<b>(6,603)</b>	<b>291,512</b>

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<i>Note</i>		
<b>Cash flows from operating activities</b>		
Cash used in operations	(285)	(2,461)
PRC enterprise income tax paid	(1,580)	(4,394)
<b>Net cash used in operating activities</b>	<b>(1,865)</b>	<b>(6,855)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(176)	(3,385)
Prepayments for non-current assets	(226)	(4,238)
Disposal of property, plant and equipment	419	1,172
Increase in restricted cash at banks	52	4,914
Advanced to an associate	(22)	–
Payment for investment in an associate	(11)	–
Loans to third parties	–	(6,526)
Purchase of financial assets at fair value through profit or loss	(3,981)	–
Net proceed from disposal of financial assets at fair value through profit or loss	11,170	495
Interest income from bank deposits	274	534
Interest income from other financial assets	11	339
<b>Net cash generated from/(used in) investing activities</b>	<b>7,510</b>	<b>(6,695)</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 HK\$'000 (Unaudited)
<b>Cash flows from financing activities</b>			
Interest paid		(377)	(359)
Proceeds from borrowings		4,954	10,108
Repayments of borrowings		(10,458)	(11,251)
Principal elements of lease payments		(744)	(1,172)
Interests elements of lease payments		(26)	(38)
<b>Net cash used in financing activities</b>		<b>(6,651)</b>	(2,712)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,006)</b>	(16,262)
Cash and cash equivalents at beginning of the period		12,341	47,270
Effect of change in foreign exchange rates		(424)	(746)
<b>Cash and cash equivalents at end of the period</b>	<i>20</i>	<b>10,911</b>	30,262

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 was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The ultimate parent company of the Company is SXD Limited, which was incorporated in the British Virgin Islands.

The Company is an investment holding company. The Group is principally engaged in (i) Cigarette Packaging Business; and (ii) Environmental Treatment Business in the PRC.

The Company's shares have been listed on the Main Board of the Stock Exchange since 6 December 2013.

This condensed consolidated interim financial information for the six months ended 30 June 2024 ("**Interim Financial Information**") is presented in thousands of HK\$, unless otherwise stated.

This Interim Financial Information has not been audited and has been approved for issue by the Board on 28 August 2024.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. 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 financial statements for the year ended 31 December 2023.

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2023, except for the adoption of the revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information as set out in note 2.1.

## 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 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The new standards, amendments to standards and interpretations listed above did not have any significant impact on the financial position or performance of the Group. The Group has not applied any new standards or interpretations that is not yet effective for the current accounting period.

## 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 2023.

## 4 FINANCIAL RISK MANAGEMENT

### 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 does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

There have been no changes in the Group's financial risk management policies and practices since year end.

### 4.2 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 consolidated 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.

	<b>Level 1</b> HK\$'000
<hr/>	
<b>At 30 June 2024 (unaudited)</b>	
Financial assets at FVPL	
– Listed equity securities	<b>22,685</b>
<hr/>	
At 31 December 2023 (audited)	
Financial assets at FVPL	
– Listed equity securities	40,872
<hr/>	

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

### 4.2 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 and for instruments where climate risk give rise to a significant unobservable adjustment.

Specific valuation techniques used to value financial instruments include:

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

#### **Fair values of financial assets and liabilities carried at other than fair value**

The carrying amounts of the Group's cash and cash equivalents, restricted cash at banks, trade receivables, other receivables, trade and notes payables, lease liabilities and other payables and accruals approximate their fair values as at 30 June 2024 and 31 December 2023 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 Cigarette Packaging Business and Environmental Treatment Business in the PRC, which are identified as reportable segments. Agency service business is not separately reviewed by the CODM and therefore it is not separately presented.

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, share of loss of an associate accounted for using the equity method and net impairment losses on financial and contract assets.

Segment assets exclude financial assets at FVPL, investment properties, interest in an associate 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 2024 are as follows:

	Cigarette Packaging Business HK\$'000 (Unaudited)	Environmental Treatment Business HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	The Group HK\$'000 (Unaudited)
Revenue	58,445	4,069	101	62,615
Segment results	4,077	(14,572)	101	(10,394)
Net impairment losses on financial and contract assets				(6)
Share of loss of an associate accounted for using the equity method				(11)
Other losses arising from financial assets at FVPL				(10,830)
Operating loss				(21,241)
Finance cost – net				(118)
Loss before income tax				(21,359)
Income tax credit				313
Loss for the period				(21,046)
<i>Other segment item</i>				
Depreciation and amortisation	3,835	1,130	–	4,965

# 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)	Unallocated HK\$'000 (Unaudited)	The Group HK\$'000 (Unaudited)
Revenue	70,806	(121)	50	70,735
Segment results	10,992	(14,811)	50	(3,769)
Net impairment reversal on financial and contract assets				38
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)
<i>Other segment item</i>				
Depreciation and amortisation	3,809	1,579	–	5,388

NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

**5 SEGMENT INFORMATION** *(continued)*

(b) The segment assets and liabilities at 30 June 2024 are as follows:

	Cigarette Packaging Business HK\$'000 (Unaudited)	Environmental Treatment Business HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Inter-segment elimination HK\$'000 (Unaudited)	The Group HK\$'000 (Unaudited)
Segment assets	379,832	210,367	6,996	(198,864)	398,331
Investment properties					14,752
Financial assets at FVPL					22,685
Deferred tax assets					11,806
<b>Total assets</b>					<b>447,574</b>
Segment liabilities	67,790	268,833	-	(198,864)	137,759
Current income tax liabilities					13,236
Deferred tax liabilities					5,067
<b>Total liabilities</b>					<b>156,062</b>
Capital expenditures	440	1,601	-	-	2,041



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 SEGMENT INFORMATION *(continued)*

(b) The segment assets and liabilities at 31 December 2023 are as follows:

	Cigarette Packaging Business HK\$'000 (Audited)	Environmental Treatment Business HK\$'000 (Audited)	Unallocated HK\$'000 (Audited)	Inter-segment elimination HK\$'000 (Audited)	The Group HK\$'000 (Audited)
Segment assets	398,596	205,694	7,308	(190,772)	420,826
Investment properties					15,223
Financial assets at FVPL					40,872
Deferred tax assets					11,577
<b>Total assets</b>					<b>488,498</b>
Segment liabilities	90,870	253,153	-	(190,772)	153,251
Current income tax liabilities					14,696
Deferred tax liabilities					5,350
<b>Total liabilities</b>					<b>173,297</b>
Capital expenditures	12,417	2,780	-	-	15,197

NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

**6 REVENUE**

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 HK\$'000 (Unaudited)
<b>At a point in time</b>		
Sales of cigarette packaging products	<b>58,445</b>	70,806
Agency services	<b>101</b>	50
	<b>58,546</b>	70,856
<b>Over time</b>		
Revenue from environmental and ecological restoration contracts		
– Construction services	<b>2,625</b>	(2,275)
– Maintenance and other services	<b>1,444</b>	2,154
	<b>4,069</b>	(121)
	<b>62,615</b>	70,735

Reversal of revenue from construction services for FP2023 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:

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 HK\$'000 (Unaudited)
Customer A	<b>45.2%</b>	37.5%
Customer B	<b>44.6%</b>	62.3%

Majority of the Group's revenue were derived from customers in the PRC for the Reporting Period (FP2023: same).

NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

**6 REVENUE** *(continued)*

**(a) Assets and liabilities related to contracts with customers**

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Contract assets relating to construction contracts	<b>41,410</b>	46,105
Less: loss allowance	<b>(38)</b>	(43)
<b>Total contract assets</b>	<b>41,372</b>	46,062

**(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**

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 HK\$'000 (Unaudited)
Cost of inventories sold	<b>35,078</b>	43,097
Staff costs (including Directors' emoluments)	<b>15,680</b>	16,845
Raw materials consumed and subcontracting costs for construction contracts	<b>8,666</b>	2,267
Depreciation and amortisation		
– Amortisation of intangible assets	<b>2</b>	26
– Depreciation of property, plant and equipment ( <i>Note 13</i> )	<b>3,565</b>	4,014
– Depreciation of right-of-use assets ( <i>Note 13</i> )	<b>1,033</b>	984
– Depreciation of investment properties ( <i>Note 14</i> )	<b>365</b>	364
Utilities	<b>1,090</b>	1,467
Impairment loss on property, plant and equipment	<b>504</b>	–
Other taxes and surcharges	<b>319</b>	379
Auditor's remuneration		
– Audit service	<b>903</b>	1,169
– Non-audit service	<b>132</b>	135
Other expenses	<b>4,727</b>	3,960
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>72,064</b>	74,707

NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

**8 OTHER LOSSES – NET**

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 HK\$'000 (Unaudited)
Foreign exchange gain	<b>478</b>	203
Dividend income from financial assets at FVPL	<b>143</b>	480
Losses on disposal of property, plant and equipment	<b>(1,423)</b>	(1,380)
Net fair value losses on financial assets at FVPL	<b>(10,973)</b>	(3,769)
	<b>(11,775)</b>	(4,466)

**9 FINANCE (COST)/INCOME – NET**

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 HK\$'000 (Unaudited)
<b>Finance income</b>		
Interest income from bank deposits	<b>274</b>	534
Interest income from other financial assets (a)	<b>11</b>	339
	<b>285</b>	873
<b>Finance cost</b>		
Interest expenses on borrowings	<b>(377)</b>	(359)
Interest expenses on lease liabilities	<b>(26)</b>	(37)
	<b>(403)</b>	(396)
	<b>(118)</b>	477

**9 FINANCE (COST)/INCOME – NET** *(continued)*

- (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 2024, all these financial assets were matured (30 June 2023: same).

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the 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% (FP2023: 16.5%) on the assessable profits arising in Hong Kong during the Reporting Period, except for one subsidiary of the Group which is qualifying corporation under the two-tiered profits tax rate regime. For this subsidiary, profits tax will be chargeable at 8.25% on the first HK\$2,000,000 of assessable profits and the remaining assessable profits will be subject to a rate of 16.5% (FP2023: same).

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

On 28 December 2023, Shantou Xinda successfully renewed the High and New Technology Enterprise Certificate which was effective for three years commencing on 1 January 2023. As there is no change to the relevant laws and regulations, the Directors assessed and considered that Shantou Xinda will continue to be granted the preferential tax treatment through an application of renewal. Accordingly, a tax rate of 15% (FP2023: 15%) was applied when considering the current income tax and the deferred income tax for the six months ended 30 June 2024.

NOTES TO THE CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

**10 INCOME TAX CREDIT/(EXPENSE)** *(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. The Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies since they had fulfill the aforesaid conditions.

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current income tax</b>		
PRC enterprise income tax	–	(1,588)
<b>Deferred income tax</b>		
PRC enterprise income tax	<b>313</b>	524
Withholding income tax on profit to be distributed from subsidiaries in the PRC	–	545
	<b>313</b>	1,069
	<b>313</b>	(519)

There were no income tax charges relating to components of other comprehensive income for the six months ended 30 June 2024 (FP2023: 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.

	<b>Six months ended 30 June</b>	
	<b>2024</b> <b>(Unaudited)</b>	2023 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	<b>(20,987)</b>	(8,073)
Weighted average number of ordinary Shares in issue	<b>701,430,000</b>	701,430,000
Basic losses per Share	<b>HK(2.99) cents</b>	HK(1.15) 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 in issue for the six months ended 30 June 2024 (FP2023: same).

## 12 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (FP2023: nil).



### 13 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

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

### 13 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(continued)

	<b>Property, plant and equipment</b> HK\$'000 (Unaudited)	<b>Right-of-use assets</b> HK\$'000 (Unaudited)
<b>At 1 January 2024</b>		
Cost	<b>126,511</b>	<b>12,830</b>
Accumulated depreciation	<b>(72,202)</b>	<b>(5,464)</b>
Net book amount	<b>54,309</b>	<b>7,366</b>
<b>Six months ended 30 June 2024</b>		
Opening net book amount	<b>54,309</b>	<b>7,366</b>
Additions	<b>176</b>	<b>1,639</b>
Disposals	<b>(1,806)</b>	<b>(32)</b>
Depreciation	<b>(3,565)</b>	<b>(1,033)</b>
Impairment	<b>(504)</b>	<b>–</b>
Currency translation differences	<b>(356)</b>	<b>(38)</b>
Closing net book amount	<b>48,254</b>	<b>7,902</b>
<b>At 30 June 2024</b>		
Cost	<b>117,149</b>	<b>11,762</b>
Accumulated depreciation	<b>(68,391)</b>	<b>(3,860)</b>
Impairment	<b>(504)</b>	<b>–</b>
Net book amount	<b>48,254</b>	<b>7,902</b>

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**14 INVESTMENT PROPERTIES**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Opening net book amount	<b>15,223</b>	15,234
Acquisitions	–	1,060
Depreciation charges	<b>(365)</b>	(852)
Currency translation difference	<b>(106)</b>	(219)
Closing net book amount	<b>14,752</b>	15,223

**15 PREPAYMENTS FOR NON-CURRENT ASSETS**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Prepayment for an intangible asset	<b>10,957</b>	11,035
Prepayments for property, plant and equipment	<b>4,917</b>	4,725
Prepayment for an investment (a)	<b>21,913</b>	22,070
	<b>37,787</b>	37,830
Less: provision for impairment of prepayment for an intangible asset	<b>(10,957)</b>	(11,035)
	<b>26,830</b>	26,795

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

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**16 TRADE RECEIVABLES**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Trade receivables (a)	<b>213,221</b>	216,171
Less: allowance for impairment of trade receivables	<b>(40,777)</b>	(41,244)
Trade receivables – net	<b>172,444</b>	174,927

- (a) Ageing analysis of trade receivables based on dates of billing at respective dates was as follows:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 90 days	<b>26,142</b>	39,406
91 days to 180 days	<b>689</b>	1,014
181 days to 365 days	<b>639</b>	1,429
Over 365 days	<b>185,751</b>	174,322
	<b>213,221</b>	216,171

- (b) The Group's trade receivables were denominated in RMB at 30 June 2024 (31 December 2023: same).

NOTES TO THE CONDENSED CONSOLIDATED  
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**17 PREPAYMENTS AND OTHER RECEIVABLES**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Other receivables	<b>2,957</b>	3,036
Amounts due from an associate (a)	<b>32,070</b>	32,278
Loans to third parties (b)	<b>11,559</b>	11,642
Prepayments	<b>1,177</b>	1,206
Less: allowance for impairment of other receivables, amounts due from an associate and loans to third parties	<b>(11,419)</b>	(11,498)
	<b>36,344</b>	36,664
Less: classified as other non-current assets	<b>(31,552)</b>	(31,757)
	<b>4,792</b>	4,907

- (a) The funds advanced to an associate, Shengshi Heng Rui (Guangdong) Technology Company Limited (“**Shengshi Heng Rui**”), of RMB29,270,000 (equivalent to HK\$32,070,000) (31 December 2023: RMB29,250,000 (equivalent to HK\$32,278,000)) were unsecured, interest free and repayable on demand, but are not expected to be recovered within one year and are therefore classified as other non-current assets. The funds advanced to Shengshi Heng Rui were for establishing and developing its business in research and development and sale of technological products and its daily operations. The amounts due from an associate were denominated in RMB at 30 June 2024 (31 December 2023: same).

**17 PREPAYMENTS AND OTHER RECEIVABLES** *(continued)*

- (b) Loans to third parties included two loans provided by the Group respectively to two independent third parties, of which:
- (i) HK\$10,737,000 (equivalent to RMB9,800,000) (31 December 2023: HK\$10,814,000 (equivalent to RMB9,800,000)) was a loan granted to a renowned property developer in Shantou, Guangdong Province, the PRC, an independent third party, for obtaining good interest return and maximize the possible return for the Group, which was in line with the Group's business strategy and in the interest of the Company and its Shareholders as a whole. The loan was unsecured, bearing interest at 1.5% (31 December 2023: 1.5%) per month and repayable on 30 June 2023. The loan was fully impaired based on the lifetime expected credit loss model due to the significant financial difficulties of the borrower (31 December 2023: same).
  - (ii) HK\$822,000 (equivalent to RMB750,000) (31 December 2023: HK\$828,000 (equivalent to RMB750,000)) was granted to an independent third party company for the purpose of assisting the Group in exploring business opportunities in the cigarette industry in the PRC, which is advantageous to the Group as it could enhance the Group's presence in the market of Cigarette Packaging Business in the PRC, and was in line with the Group's business strategy and in the interest of the Company and its Shareholders as a whole. The loan was unsecured, interest free and repayable on 24 June 2024. As the borrower needs more time to explore the business opportunities for the Group, the loan is expected to be repaid by the end of 2024.

The loans to third parties were denominated in RMB at 30 June 2024 (31 December 2023: same).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Denominated in RMB	<b>2,607</b>	2,666
Denominated in HK\$	<b>350</b>	370
	<b>2,957</b>	3,036

## 18 FINANCIAL ASSETS AT FVPL

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Listed equity securities – held for trading		
– denominated in RMB	<b>18,064</b>	34,085
– denominated in HK\$	<b>4,621</b>	6,787
	<b>22,685</b>	40,872

## 19 RESTRICTED CASH AT BANKS

As at 30 June 2024, the Group's restricted cash at banks mainly comprised deposits of HK\$32,853,000 (31 December 2023: HK\$32,439,000) as collateral for the Group's notes payable and deposits of HK\$885,000 (31 December 2023: HK\$1,346,000) as performance guarantee letter deposits, which were all denominated in RMB.

The effective interest rate on restricted cash at banks was 1.59% (31 December 2023: 1.59%) per annum. These deposits had an original maturity of 90 days to three years.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Denominated in RMB	<b>9,064</b>	11,573
Denominated in HK\$	<b>1,818</b>	768
Denominated in US\$	<b>29</b>	–
	<b>10,911</b>	12,341

The Group's cash and cash equivalents of HK\$9,064,000 (31 December 2023: HK\$11,573,000) and restricted cash at banks of HK\$33,738,000 (31 December 2023: HK\$33,790,000) denominated in RMB were deposited with banks in the PRC. The remittance of funds out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 21 SHARE CAPITAL

	Number of ordinary Shares	HK\$'000
<b>Authorised share capital</b>		
At 31 December 2023 and 30 June 2024	4,000,000,000	20,000
	Number of issued Shares	<b>Share capital</b> HK\$'000
<b>Ordinary Shares, issued and fully paid</b>		
At 31 December 2023 and 30 June 2024	701,430,000	3,508



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**22 TRADE AND NOTES PAYABLES**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Trade payables (a)	<b>68,793</b>	73,823
Notes payable – bank acceptance notes	<b>32,853</b>	32,439
	<b>101,646</b>	106,262

- (a) The ageing analysis of trade payables based on date of billing at respective dates was as follows:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 90 days	<b>51,833</b>	58,348
91 days to 180 days	<b>1,888</b>	872
Over 180 days	<b>15,072</b>	14,603
	<b>68,793</b>	73,823

- (b) The Group's trade and notes payables were denominated in RMB as at 30 June 2024 (31 December 2023: same).

NOTES TO THE CONDENSED CONSOLIDATED  
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**23 OTHER PAYABLES AND ACCRUALS**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Other tax payables	<b>5,926</b>	6,123
Accrual for staff costs and allowances	<b>5,973</b>	8,753
Other payables	<b>3,257</b>	6,367
	<b>15,156</b>	21,243

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Denominated in RMB	<b>13,855</b>	17,606
Denominated in HK\$	<b>1,301</b>	3,637
	<b>15,156</b>	21,243

**24 BORROWINGS**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Bank loans	<b>16,982</b>	22,622

The Group's borrowings were denominated in RMB at 30 June 2024 (31 December 2023: same).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 24 BORROWINGS *(continued)*

The Group's borrowings were secured by guarantees provided by the controlling Shareholder, Mr. Zheng Andy Yi Sheng, and other subsidiaries of the Group, bearing interest rate of 3.70% (31 December 2023: ranged from 3.70% to 4.00%) per annum and maturing in one year (31 December 2023: same).

## 25 CAPITAL COMMITMENTS

As at 30 June 2024 and 31 December 2023, the Group had the following capital commitments:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property and equipment contracted but not provided for	<b>4,093</b>	4,305

## 26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities.

### (a) Name and relationship with related parties

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

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**26 RELATED PARTY TRANSACTIONS** *(continued)*

**(b) Balances with related parties**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
<b>Lease liabilities</b>		
Mr. Zheng Andy Yi Sheng (i)	<b>1,363</b>	–
<b>Rental prepayment</b>		
Mr. Zheng Andy Yi Sheng	–	2
<b>Other payables</b>		
Mr. Zheng Andy Yi Sheng (ii)	<b>727</b>	3,509
Mr. Zheng Minsheng (iii)	<b>219</b>	149
<b>Amounts due from an associate</b>		
Shengshi Heng Rui ( <i>Note 17(a)</i> )	<b>32,070</b>	32,278
<b>Financial guarantees provided by</b>		
Mr. Zheng Andy Yi Sheng ( <i>Note 24</i> )	<b>16,982</b>	22,622

- (i) The Group entered into certain lease agreements with Mr. Zheng Andy Yi Sheng in 2022 to lease office buildings located in the PRC. These lease liabilities were denominated in RMB and unsecured.
- (ii) Amounts due to Mr. Zheng Andy Yi Sheng of (i) HK\$469,000 (31 December 2023: HK\$3,500,000) were funds advanced to the Company denominated in HK\$, which were unsecured, interest-free and repayable on demand; and (ii) HK\$250,000 was Directors' remuneration denominated in HK\$ and repayable on demand. The remaining balance was Directors' salaries and allowance denominated in RMB.
- (iii) Amount due to Mr. Zheng Minsheng of HK\$200,000 (31 December 2023: HK\$nil) was Directors' remuneration denominated in HK\$ and repayable on demand. The remaining balance was Directors' salaries and allowance denominated in RMB.

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**26 RELATED PARTY TRANSACTIONS** *(continued)*

**(c) Key management compensations**

Key management comprised executive Directors and senior management of the Group. Their compensations were set out below:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries and other employee benefits	<b>1,856</b>	2,042
Contribution to pension plans	<b>46</b>	41
	<b>1,902</b>	2,083

**(d) Transactions with related parties**

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Interest expenses on lease liabilities</b>		
Mr. Zheng Andy Yi Sheng <i>(Note (b)(i))</i>	<b>9</b>	12

# GLOSSARY

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix C1 of the Listing Rules
“Cigarette Packaging Business”	manufacturing and sales of cigarette packaging materials business
“Company” or “Huaxi”	Huaxi Holdings Company Limited
“Director(s)”	director(s) of the Company
“Environmental Treatment Business”	environmental and ecological restoration treatment business
“FP2023”	six months ended 30 June 2023
“FP2024” or “Reporting Period”	six months ended 30 June 2024
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar
“INED(s)”	independent non-executive Director(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

## GLOSSARY

“Shantou Xinda”	Shantou Xinda Packing Colour Printing & Packaging Material Company Limited
“Share(s)”	share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“US\$”	United States dollars