HUAXI HOLDINGS COMPANY LIMITED
華禧控股有限公司

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

2024
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Andy Yi Sheng *(Chairman)*
Mr. Zheng Minsheng
Ms. Zheng Catherine Jia Lin
(appointed on 20 December 2024)

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, 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

https://www.huaxihds.com.hk

STOCK CODE

1689

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Huaxi Holdings Company Limited, I respectfully present the results of the Group for the year ended 31 December 2024.

2024 IN RETROSPECT

In 2024, China's economic operation was generally stable and made progress in stability, with the GDP in 2024 increased by 5% over the previous year. Although China's economic growth slowed down in the second and third quarters of 2024 and faced great downward economic pressure at one point, with the Central Political Bureau meeting in September 2024 deploying a package of incremental policies to boost confidence and stimulate market vitality, the social economy grew significantly faster year-on-year in the fourth quarter than in the third quarter, and production in various industries and residents' demand has been improved.

In 2024, China's tobacco industry presented a complex development trend against the dual background of continued growth of traditional tobacco products and stricter regulation of new tobacco products. China's tobacco industry as a whole continues to grow in 2024, but the growth rate has been slowed down due to tobacco control policies and increased health awareness. Domestic tobacco control regulations are becoming stricter, and measures such as increasing tobacco taxes and expanding smoking-free areas may further suppress demand for traditional cigarettes. With the improvement of public health awareness, the gradually increase in consumers' demand for less-harmful products has driven tobacco companies to develop low-tar, low-smoke cigarettes and new tobacco products to cope with market changes.

Local government finances remains tight in 2024, and the healthy development of the local economy and the provision of social public services continue to be affected to a certain extent. In order to effectively prevent and resolve risks in key areas, the Central Ministry of Finance has coordinated debt resolution resources through multiple channels, taken forward the implementation of a package of debt resolution plans, further increased support for debt resolution, increased local government debt limits to replace existing implicit debts, and proactively prevented and resolved risk exposures of the implicit debts of local governments.

For FY2024, the Group's revenue was HK$143.77 million and the loss attributable to owners of the Company was HK$110.77 million, representing a decrease of 7.5% and 169.0% respectively over last year.

BUSINESS REVIEW

Over the past year, the Group's Cigarette Packaging Business has been impacted by the weak consumer market and intense competition of tobacco industry in China. In response to this challenge, the Company swiftly adjusted and implemented multiple measures, including optimizing management strategies, which stabilized our core business.

With the improvement of public health awareness and the strengthening of tobacco control efforts which impacts to China's tobacco industry, demand from core customers in the Cigarette Packaging Business declined which negatively affected the revenue and gross profit margin of our Cigarette Packaging Business for FY2024 and led to a decrease of 14.4% and 3.2% respectively.

In the Environmental Treatment Business, with the gradual completion of certain existing construction projects during the Year, the revenue from the Environmental Treatment Business has been slightly improved as compared to last year. However, as only few new ecological restoration projects were awarded during the Year but additional costs were incurred for maintaining existing projects and obtaining new contracts, the gross loss further widened to HK$28.99 million this Year.

Due to the financial health of the local government still pending to improve, we have taken a series of steps (including making appropriate modification to contracts of completed projects when necessary) to speed up the settlement procedures with local government and the return of project funds in the balance of maintaining a good and close cooperative relationship with the local government for enhancing our opportunities to obtain potential new projects in the future.

Given that we are exposed to higher credit risks from customers with financial constraints in the Environmental Treatment Business in 2024 and there is a commercial dispute currently dealing with a counterparty, impairment losses on financial and contract assets amounting HK$79.61 million was recognized during the Year.

Despite the challenges posed by the weak fiscal payment capability of local governments and its prolonged internal approval process for fiscal funds and our project settlements, we will flexibly adjust our management strategies to minimize these impacts to our operations.

REFORMING VISION FORWARD

As we enter 2025, we will continue to uphold our core principles of sound management and creating value for our customers, and we are committed to making steady progress in building strengths in our core industries. Faced with the current challenging market environment, we will continue to adhere to our business objectives, ensure their achievement, and overcome difficulties.

We are well aware that the future may be fraught with adversities. We will adopt a cautious strategy in our strategic decisions to ensure that we can carefully address challenges. Furthermore, we will tirelessly pursue the creation of long-term value, continuously exploring new growth opportunities for the overall benefit of the Company and its shareholders. Throughout this process, we will consistently demonstrate corporate responsibility and determination to ensure the continuity and competitiveness of our business under various market conditions.

APPRECIATION

Finally, I would also like to take this opportunity on behalf of the Board to sincerely thank all the employees of the Group for their efforts and contributions, and to thank all Shareholders and partners for their support.

Zheng Andy Yi Sheng
Chairman

31 March 2025

BUSINESS AND OPERATION REVIEW

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

For FY2024, the Group recorded revenue of approximately HK$143.77 million, representing a decrease of approximately HK$11.62 million or 7.5% as compared with HK$155.39 million for FY2023 and loss attributable to owners of the Company of approximately HK$110.77 million, representing an increase of approximately HK$69.59 million or approximately 169.0% as compared to the loss attributable to owners of the Company of approximately HK$41.18 million for FY2023.

Cigarette Packaging Business

During the Year, the overall revenue and profitability of the Cigarette Packaging Business were adversely affected by the weak consumer market, intense competition and declining demand from key customers. Revenue from Cigarette Packaging Business for FY2024 was approximately HK$132.64 million, representing a decrease of HK$22.24 million or 14.4% compared to approximately HK$154.88 million for FY2023.

The following table sets forth the breakdown of the Group's revenue from sales of cigarette packaging materials for FY2024 and FY2023:

	FY2024		FY2023	
	HK$'000	**%**	HK$'000	%
Inner Frame paper	**86,877**	**65.5**	86,384	55.8
Tipping paper	**31,132**	**23.5**	49,098	31.7
Cigarette box frame paper	**8,604**	**6.5**	12,915	8.3
Cigarette trademark label	**5,918**	**4.5**	6,424	4.1
Others	**105**	**0.0**	54	0.0
Total	**132,636**	**100.0**	154,875	100.0

Environmental Treatment Business

With the gradual completion of certain existing construction projects and the income from river ecological maintenance during the Year, the Environmental Treatment Business recorded a revenue of approximately HK$11.03 million, representing an increase of HK$10.77 million as compared with approximately HK$0.26 million in FY2023.

Gross profit and gross profit margin

The gross profit of the Group for FY2024 was approximately HK$7.38 million (FY2023: HK$33.30 million) which comprised gross profit of approximately HK$36.26 million (FY2023: HK$47.25 million) from the Cigarette Packaging Business, gross loss of HK$28.99 million (FY2023: gross loss of HK$14.21 million) from the Environmental Treatment Business, and gross profit of approximately HK$0.11 million (FY2023: HK$0.26 million) from other business.

A further increase in gross loss of the Environmental Treatment Business for FY2024 was mainly due to the increase in cost of obtaining contracts of HK$24.95 million (FY2023: HK$ nil) for the Year. During the Year, in order to speed up the settlement procedures with the local government and the return of the project funds as well as to maintain a good and close cooperative relationship with the local government for enhancing the opportunities in obtaining potential new projects in the future, the Group has actively cooperated with the local government in project settlements and has made appropriate modifications to the contracts of the completed projects when necessary.

The gross profit margin of the Group for FY2024 was 5.1%, a decrease of 16.3% as compared to 21.4% for FY2023. 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 Environmental Treatment Business, as few new ecological restoration projects were awarded during the Year but additional costs were incurred for the maintenance of existing projects and obtaining new contracts.

The gross profit margin of the Cigarette Packaging Business was approximately 27.3%, a decrease of 3.2% as compared to 30.5% for FY2023. The decrease in gross profit margin was mainly due to the decrease in sales from the Cigarette Packaging Business during the Year.

Distribution Costs

The distribution costs of the Group for FY2024 were amounted to approximately HK$1.00 million representing an increase of HK$0.07 million compared to approximately HK$0.93 million for FY2023.

Administrative expenses

The administrative expenses of the Group for FY2024 were approximately HK$41.23 million (FY2023: HK$45.81 million), a decrease of 10.0% or approximately HK$4.58 million.

Net impairment losses on financial and contract assets

During the Year, the net impairment losses on financial and contract assets were approximately HK$79.61 million, representing an increase of approximately HK$61.75 million as compared to HK$17.86 million for FY2023, as higher expected loss rates were adopted to the customers with financial constraints in relation to the Environmental Treatment Business, and an expected loss rate of 100% was applied to certain specific balances as the collectability of the amount was remote due to the commercial dispute currently dealing with the counterparty.

Other losses – net

The net other losses of the Group for FY2024 were approximately HK$5.16 million (FY2023: HK$11.56 million), mainly due to the volatility in the securities markets of China. The Group recognised dividend income from financial assets at FVPL of approximately HK$0.73 million (FY2023: HK$0.48 million) and net fair value losses on financial assets at FVPL of approximately of HK$5.62 million (FY2023: HK$10.77 million) for FY2024.

Finance cost/income – net

During the Year, the net finance cost/income of the Group mainly comprised 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 FY2024 was approximately HK$0.11 million (FY2023: net finance income of HK$0.41 million).

Income tax credit

The income tax credit for FY2024 was approximately HK$8.93 million (FY2023: HK$0.82 million) which was mainly due to the reversal of PRC enterprise income tax as a result of the decrease in revenue from Environmental Treatment Business due to contract modifications and the increase of costs of obtaining contracts for Environmental Treatment Business.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company for FY2024 of approximately HK$110.77 million, representing an increase of approximately HK$69.59 million or approximately 169.0%, as compared to the loss attributable to owners of the Company of approximately HK$41.18 million for FY2023.

Dividend

The Board does not recommend the payment of final dividend for FY2024 (FY2023: 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 FY2024 was approximately HK$4.90 million (FY2023: HK$10.29 million), including the loss on change in fair value of HK$5.62 million (FY2023: HK$10.77 million) due to the volatility in the securities markets. The management invests in these shares expecting 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.

The financial assets at FVPL held by the Group as at 31 December 2024 and 31 December 2023 are as follow:

	31 December 2024		31 December 2023	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Equity securities listed in Hong Kong				
BABA-SW (9988)	**–**	**–**	30,000	2,268
Tencent (0700)	**–**	**–**	5,000	1,468
Sunac China (1918)	**–**	**–**	400,000	600
Other equity securities *(Note 1)*		**1,236**		2,451
Equity securities listed in the China				
Guangdong Liantai 聯泰環保 (603797)	**1,260,972**	**5,447**	1,260,972	7,681
Sino Daan 中達安 (300635)	**–**	**–**	715,489	9,933
Guangdong Tonze Electric 天際股份 (002759)	**350,000**	**3,315**	1,255,200	14,696
Other equity securities *(Note 2)*		**3,163**		11,708
		13,161		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 the China (31 December 2023: 4).

Capital structure, liquidity and financial resources

As at 31 December 2024, the Group had net assets of HK$197.61 million (31 December 2023: HK$315.20 million) and working capital surplus of HK$120.41 million (31 December 2023: HK$174.66 million).

As at 31 December 2024, the total cash and cash equivalents and restricted cash balances of the Group amounted to approximately HK$63.37 million (31 December 2023: HK$46.13 million), including restricted cash at banks of HK$37.55 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$25.83 million (31 December 2023: HK$12.34 million) of which HK$25.23 million (31 December 2023: HK$11.57 million) were denominated in RMB and HK$0.08 million (31 December 2023: HK$nil) were denominated in US$.

The following table sets forth the cash flows for FY2024 and FY2023:

	FY2024 **HK$'000**	FY2023 HK$'000
Net cash generated from operating activities	**17,193**	5,493
Net cash generated from/(used in) investing activities	**12,084**	(37,589)
Net cash used in financing activities	**(14,530)**	(2,153)
Net increase/(decrease) in cash and cash equivalents	**14,747**	(34,249)
Cash and cash equivalents at the beginning of the Year	**12,341**	47,270
Effect on change in exchange rates	**(1,262)**	(680)
Cash and cash equivalents at the end of the Year	**25,826**	12,341

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.

Borrowings and gearing ratio

As at 31 December 2024, the Group's borrowings of approximately HK$10.26 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 at 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. No gearing ratio was presented as the Group had net cash surplus as at 31 December 2024 (31 December 2023: the gearing ratio was 4.08%).

Exposure to fluctuations in exchange rates

The Group's transactions for its principal subsidiaries in China are 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 is primarily related to certain cash and bank balances, financial assets at FVPL, trade receivables, prepayment and other receivables, other payables and accruals and lease liabilities that are 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 Year, the Group's total capital expenditure amounted to approximately HK$5.82 million (FY2023: HK$15.20 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 31 December 2024, the Group had no capital commitments (31 December 2023: capital commitments of HK$4.31 million for acquisition of property, plant and equipment).

Charge on assets

As at 31 December 2024, the Group placed cash deposits of approximately HK$37.55 million (31 December 2023: HK$33.79 million), which consisted of deposits of HK$35.90 million (31 December 2023: HK$32.44 million) as collateral for the Group's notes payable and deposits of HK$1.58 million (31 December 2023: HK$1.35 million) as performance guarantee letter deposits, which were all denominated in RMB.

Contingent liabilities

The Group had no contingent liabilities as at 31 December 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 Year.

On 3 November 2023, Guangdong Xinda Detection Technology Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with three independent third parties in relation to the disposal of 48% equity interest of Shengshi Heng Rui (Guangdong) Technology Company Limited, an indirect wholly-owned subsidiary of the Company, for a total nominal consideration of RMB3, which was then completed on 17 November 2023. Save as disclosed above, the Group did not have any material acquisitions and disposals relating to subsidiaries, associates and joint ventures during FY2023.

Significant investment activities

The Group had no significant investment activities during the Year (FY2023: same).

FUTURE OUTLOOK AND PROSPECTS

Looking ahead, the Cigarette Packaging Business and the Environmental Treatment Business will remain challenging in 2025.

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 seeking 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 remains tough in the near future. The management of the Group will continue to explore the development opportunity in ecological restoration projects and seek for new sewage treatment projects to widen our revenue streams.

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 31 December 2024, the Group employed a total of 258 (31 December 2023: 288) permanent employees in China and Hong Kong. Total employee remuneration (including directors' emoluments and benefits) for FY2024 amounted to HK$36.40 million (FY2023: HK$37.99 million). The Group provided its employees with competitive remuneration packages which were determined by their performance, qualification, experience and will continue to review with reference to the level and composition of pay and general market condition. In addition to basic salary, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes and discretionary incentive.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHENG Andy Yi Sheng, aged 64, was appointed as a Director on 29 April 2013 and re-designated as an executive Director, chairman of the Board and chief executive officer (CEO) of the Group on 24 July 2013. He is also the chairman of the Nomination Committee and CG Committee. Mr. Zheng is the founder of the Company and has over 20 years of experience in the packaging material industry. Since 1992, he has been the director of Shantou Xinda and became our chairman since 1997. Mr. Zheng was awarded a fellowship of Asian College of Knowledge Management in 2013. Mr. Zheng is the elder brother of Mr. Zheng Minsheng, an executive Director, and the father of Mr. Zheng Kevin Xiao Lin, the project manager of the Group and Ms. Zheng Catherine Jia Lin, an executive Director.

Mr. ZHENG Minsheng, aged 61, was appointed as an executive Director on 24 July 2013 and is the deputy general manager of the Group. He is also a member of the CG Committee. Mr. Zheng has over 20 years of experience in the packaging material industry. Since 1992, he has been the director and deputy general manager of Shantou Xinda and is responsible for procurement of raw materials, production management and quality control. Mr. Zheng is the younger brother of Mr. Zheng Andy Yi Sheng, an executive Director, chairman of the Board and the CEO of the Group, and the uncle of Mr. Zheng Kevin Xiao Lin, the project manager of the Group and Ms. Zheng Catherine Jia Lin, an executive Director.

Ms. ZHENG Catherine Jia Lin, aged 30, joined the Group in September 2018 and was appointed as an executive Director on 20 December 2024. She graduated from the University of Melbourne with a Bachelor of Commerce degree, and is a chartered accountant of Australia and New Zealand and a member of Hong Kong Institute of Certified Public Accountants. Ms. Zheng had worked for big four international accounting firms and has over 8 years of experience in risk management. Ms. Zheng is the daughter of Mr. Zheng Andy Yi Sheng, an executive Director, chairman of the Board and the CEO of the Group, the younger sister of Mr. Zheng Kevin Xiao Lin, the project manager of the Group, and the niece of Mr. Zheng Minsheng, an executive Director.

NON-EXECUTIVE DIRECTOR

Mr. HAO Jiming, aged 78, was appointed as a non-executive Director on 15 April 2019. Mr. Hao obtained a Bachelor of Civil Engineering degree from the Tsinghua University in 1970, majoring in water supply and sewage engineering and graduated with a Master degree in engineering from Tsinghua University in 1981. In 1984, Mr. Hao obtained a Doctorate degree in Civil and Environmental Engineering Department from the University of Cincinnati, USA. Mr. Hao was elected as a member of the Chinese Academy of Engineering in 2005 and a foreign member of National Academy of Engineering, USA in 2018. Since 1970, Mr. Hao had been working at Tsinghua University as lecturer, associate professor and full professor. He has served as the Dean of the Research Institute of Environmental Science and Engineering since 1999. Mr. Hao was previously an independent non-executive director of China Conch Environmental Protection Holdings Limited (stock code: 0587) from March 2022 to March 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Kwok Hung, aged 78, was appointed as an INED on 24 July 2013. He is the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee and CG Committee. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and formerly, was a fellow of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants. Mr. Lau holds a Senior Executive Master Degree in Business Administration from Charles Darwin University. He also obtained a Diploma in Insolvency issued by the Hong Kong Institute of Certified Public Accountants and an Executive Diploma in International Business Valuation issued by the School of Professional and Continuing Education of the University of Hong Kong. He has extensive experience in financial accounting, auditing, taxation, company secretarial matter and corporate finance, especially in mergers, acquisitions and corporate restructuring. Mr. Lau is currently an independent non-executive director of Mayer Holdings Limited (stock code: 1116).

Mr. FOK Po Tin, aged 65, was appointed as an INED on 24 July 2013. Mr. Fok holds a Bachelor's degree in Business Administration with Honours from the Chinese University of Hong Kong and a Bachelor's degree in Laws from the Beijing University. He is a practicing solicitor of the High Court of Hong Kong and is the principal of Henry Fok & Company, Solicitors. Mr. Fok, who has over 20 years of extensive experience as a solicitor of general practice, is very familiar with commercial law. He was previously an executive director and chairman of Sunway International Holdings Limited (stock code: 0058) from July 2020 to December 2021.

Mr. CAI Xiaowen, aged 52, was appointed as an INED on 1 April 2020. He is the member of the Audit Committee and Remuneration Committee. Mr. Cai holds a Bachelor degree in Law from Huaqiao University. He also holds a Master degree in Law from Southwest University of Political Science and Law and a degree of Master of Common Law from The University of Hong Kong in 2004. Mr. Cai was also awarded a degree of Doctor of Philosophy in Law (Legal Procedure) from Macau University of Science and Technology. Mr. Cai was qualified as a lawyer in China. He was the vice president and risk control director of Yihua (Enterprise) Group Co., Ltd. ("**Yihua Group**"). Yihua Group is the controlling shareholder of Yihua Life Technology Co., Ltd. (Shanghai Stock Exchange stock code: 600978) and Yihua Health Medical Co., Ltd. (Shenzhen Stock Exchange stock code: 000150). Currently, Mr. Cai is working as a lawyer in China, an arbitrator at Shantou Arbitration Commission, the Supervisor of Master of Laws of Jinan University and a tutor at School of Political Science and Law of Guangdong University of Technology.

SENIOR MANAGEMENT

Mr. LI Zhiyong, aged 63, is the deputy general manager of Shantou Xinda. Mr. Li has worked for the Group since September 1995 and is responsible for all marketing activities. Mr. Li graduated from Shantou Commercial Bureau Staff Amateur Secondary School.

Mr. LI Cancheng, aged 44, joined the Group in August 2006. He is the factory manager of Shantou Xinda. He is responsible for tipping paper processing, printing and packaging manufactory. Mr. Li was a drawing designer in Shantou Zhaohua Electric Company Limited during the years between 1999 and 2006. Mr. Li completed a course in economic management in South China University of Technology in July 2005 and was awarded the qualification of intermediate economist in human resources by Ministry of Human Resources and Social Security of the PRC in January 2010.

Mr. ZHENG Kevin Xiao Lin, aged 36, joined the Group in 2015 as the assistant company secretary and has been serving as the project manager of the Group since January 2020. His primary domains of responsibility include engaging in Company's strategic planning, managing daily operations, superintending various projects undertaken by the Company, and assessing key performance metrics. Mr. Zheng obtained his double Bachelor's degrees in Commerce and Media & Communications at University of Melbourne, Australia in 2011 and a Master's degree in Management at Worcester Polytechnic Institute, Massachusetts, USA. He is an associate of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). Mr. Zheng is the son of Mr. Zheng Andy Yi Sheng, an executive Director, chairman of the Board and the CEO of the Group, the elder brother of Ms. Zheng Catherine Jia Lin, an executive Director, and the nephew of Mr. Zheng Minsheng, an executive Director.

Mr. TANG Jinhai, aged 51, joined the Group in July 2013 as the financial controller of Shantou Xinda, and is currently the PRC regional financial controller of the Group. Mr. Tang graduated from Huazhong University of Science & Technology (formerly known as Huazhong Polytechnic University) in 1996. Mr. Tang is a CICPA registered under Guangdong Provincial Institute of Certified Public Accountants and has over 10 years of experience in assurance works and more than 7 years in financial management.

Mr. LAI Chi Fung, aged 44, joined the Group in October 2023 as the financial controller, secretary and authorised representative of the Company. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor of Business Administration (Honours) degree in Accounting. Mr. Lai has over 18 years of experience in auditing, accounting, financial management, corporate finance, mergers and acquisitions and company secretarial practice. Prior to joining the Group, Mr. Lai worked for certain professional accounting firms, and served as the finance manager, financial controller and company secretary in several companies listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

CORPORATE CULTURE

Huaxi upholds "Integrity, Harmony and Excellence" as its core corporate culture value, and dedicate to deliver excellent product quality and high-quality services to our customers. Details of the vision of the Company are set out in the section headed "Chairman's Statement" of this annual report.

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 Year 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 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 Year, only two regular Board meetings were held to review and discuss the annual and interim 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. Save as the foresaid two regular Board meetings, the Board held one Board meeting during the Year for discussing and approving the appointment of a female director to achieve Board gender diversity.

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 Year, 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.

The Board of Directors

The Board currently comprises three executive Directors, namely Mr. Zheng Andy Yi Sheng (chairman of the Board), Mr. Zheng Minsheng and Ms. Zheng Catherine Jia Lin; one non-executive Director, namely Mr. Hao Jiming; and three INEDs, namely Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen. During the Year, the Board has at all times complied with rules 3.10 and 3.10A of the Listing Rules.

The Directors have bought a balance of valuable and diversified business and professional expertise, experience and independent judgement to the Board for its sufficient and effective management of the Company's business. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report which demonstrate a diversity of skills, experience and qualification.

Roles and Responsibilities of the Board

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company, including the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those may involve conflict of interests), appointment of Directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operations and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

All Directors have full and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensure the Board procedures and all applicable rules and regulations are followed.

The Company has established relevant mechanisms to ensure independent views and input are available to the Board and conducted review of such mechanisms on an annual basis. Each Directors are entitled to seek, at the Group's expense, independent professional advice reasonably necessary for discharging their duties as Directors. The Company Secretary will make necessary arrangements when the Directors wish to seek such independent professional advice.

The Company has arranged appropriate liability insurance for the Directors and senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The chairman and CEO of the Group, Mr. Zheng Andy Yi Sheng, is responsible for setting the overall business strategies and management and ensuring the Board is functioning properly. He is also responsible for managing the Group's business, including implementing the Group's strategies and making day-to-day decisions.

The deputy general manager of the Group, Mr. Zheng Minsheng, is responsible for managing business operation, including procurement, production management and quality control.

The INEDs are independent to the management of the Group's business. They are professionals with substantial experience in accounting, financial management, legal and business. The mix of their skills and business experience is a major contribution to the future development of the Company. They also ensure the Company maintains a high standard of financial and legal reporting and provide checks and balances to safeguard the interests of the Shareholders.

Board Diversity

The Company has adopted a Board diversity policy which sets out the approach to diversify the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge, and any other factors that the Board might consider relevant and applicable.

The Company recognises the importance of the gender diversity at the Board and management levels and has appointed a female Director on 20 December 2024 to achieve Board gender diversity. The Company will continue to take steps to promote gender diversity at all levels of the Company with a target to achieve and maintain not less than 10% of female members in the Board and senior management. To develop a pipeline of potential female successors to the Board, the Company will (a) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (b) engage more resources in training female staff with the aim of promoting them to be member of the Company's senior management or the Board. At 31 December 2024, the gender ratio of all employees (including senior management) of the Group was approximately 70% male to 30% female (31 December 2023: approximately 70% male to 30% female).

The Nomination Committee has set the measurable objectives based on gender, age, cultural and educational background, professional experience and skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee and the Board will review the Board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

Having reviewed the Board diversity policy and taken into account the measurable objectives, the Nomination Committee and the Board considered that the Board's composition has complied with the requirement of the Board diversity policy during the Year.

Nomination Policy

The Company has adopted a nomination policy which is summarized and disclosed below:

Objective and Scope

The Company recognises the importance of having a qualified and competent Board to achieve the optimum corporate strategy as well as to promote Shareholder's value. The nomination policy sets out the selection criteria, process and procedures which govern the nomination of members of the Board applicable to both new appointments and reappointments.

Selection Criteria

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the followings:

(a) *Attributes complementary to the Board*

The candidate should possess attributes that complement and expand the skill set, experience and expertise of the Board as a whole, having regard to the current structure, size, diversity profile and skills matrix of the Board and the needs of the Board.

(b) *Business experience, board expertise and skills*

The candidate should have the ability to exercise sound business judgment and also possess proven achievement and experience in directorship including effective oversight of and guidance to management.

(c) *Commitment*
The candidate should be able to devote sufficient time for the proper discharge of the duties of a Director, including, amongst others, to attend Board meetings and participate in induction, trainings and other Board associated activities. In particular, if the proposed candidate will be nominated as an INED and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reasons given by the candidate for being able to devote sufficient time to the Board.

(d) *Standing*
The candidate must satisfy the Board and the Stock Exchange that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a Director.

(e) *Independence*
The candidate to be nominated as an INED must satisfy the independence criteria set out in rule 3.13 of the Listing Rules. In particular, the Nomination Committee would pay special attention to the following situations:

i. Where the proposed INED has served more than nine years (the "**Long Serving INED**"), such Director's further appointment should be subject to a separate resolution to be approved by the Shareholders. The Board or the Nomination Committee should state in the papers accompanying such resolution the factors considered, the process and the Board's discussion on why the Long Serving INED is still independent and should be re-elected.

ii. Where all INEDs are Long Serving INEDs, the Company should make disclosure on the length of tenure of the Long Serving INEDs on a named basis in the papers to Shareholders for the annual general meeting. The Board or the Nomination Committee should appoint a new INED on the Board at the forthcoming annual general meeting.

The Nomination Committee is vested with discretion to take into account such other factors as it may consider appropriate.

Nomination Procedures

1. *Appointment of New and Replacement Directors*

(a) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, Shareholders, management, advisers of the Company and external executive search firms.

(b) The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board.

(c) On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate as Director to fill a casual vacancy or as an addition to the Board or recommend such candidate to Shareholders for election or re-election (where appropriate) at the general meeting. The Board has the final authority on determining suitable director candidate for appointment.

2. *Re-election of Directors and Nomination from Shareholders*
   (a) Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at the general meeting. A circular containing the requisite information on such retiring Director will be sent to the Shareholders prior to the general meeting in accordance with the Listing Rules.

   (b) Any Shareholder who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the Company Secretary within the lodgment period specified in the relevant Shareholder circular (i) a written nomination of the candidate, (ii) written confirmation from such nominated candidate of his willingness to stand for election, and (iii) biographical details of such nominated candidate as required under rule 13.51(2) of the Listing Rules. Particulars of the candidate so proposed will be sent to all Shareholders for information by a supplementary circular.

Relationship amongst Directors

Mr. Zheng Minsheng, an executive Director, is the younger brother of Mr. Zheng Andy Yi Sheng, the chairman and CEO of the Group, and the uncle of Ms. Zheng Catherine Jia Lin, an executive Director.

Ms. Zheng Catherine Jia Lin, an executive Director, is the daughter of Mr. Zheng Andy Yi Sheng, the chairman and CEO of the Group, and the niece of Mr. Zheng Minsheng, an executive Director.

Save as aforesaid, the Board members do not have any financial, business, family or other material/relevant relationships with each other.

Non-executive Directors and INEDs

The non-executive Director and INEDs give the Board the benefit of their skills, expertise, varied background and experiences. Through active participation in Board meetings and serving on various Board Committees, the non-executive Director and the INEDs bring in independent judgment and make valuable contributions to the effective direction and strategic decision-making of the Group.

Having taken into account the independence guidelines set out in rule 3.13 of the Listing Rules, the Company confirmed that all INEDs are considered independent. One of the INEDs possesses appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

Appointment and Re-election of Directors

The Board retains the functions for the selection and approval of candidates to become Board members. Under the Articles of Association, all Directors who are appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. In addition, one-third of the Directors, who have been the longest on the Board since their last election, must retire from office by rotation but then be eligible for re-election at each annual general meeting of the Company. As such, no Director has a term of appointment longer than three years.

Professional Development of the Directors

In compliance with the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development (CPD) to develop and refresh their knowledge and skills. Upon appointment to the Board, Directors receive an induction package covering the general understanding of the Group and its businesses and operations. Meetings are also arranged with the Company's external legal adviser on Directors' legal role and responsibilities. The Directors were kept informed on a timely basis of major changes on the relevant laws, rules and regulations. On 17 December 2024, Ms. Zheng Catherine Jia Lin obtained the legal advice referred to in rule 3.09D of the Listing Rules and confirmed to the Company that she understood her obligations as a Director.

The Directors are encouraged to participate in CPD to develop and refresh their knowledge and skills for discharging their duties and responsibilities as Directors. During the Year, the Directors, namely Mr. Zheng Andy Yi Sheng, Mr. Zheng Minsheng, Ms. Zheng Catherine Jia Lin, Mr. Hao Jiming, Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen, read materials and updates in relation to the change of rules and regulations that were relevant to the business of the Group.

BOARD MEETINGS

The Board normally has two regular meetings a year and meets as and when Board-level decision on a particular matter is required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association. During the Year, three Board meetings and one general meeting were held.

The attendance of each Director at the Company's general meeting and Board meetings held during the Year was as follows:

Name of Directors	Board Meetings attended/held	Annual General Meeting attended/held
Mr. Zheng Andy Yi Sheng	3/3	1/1
Mr. Zheng Minsheng	2/3	1/1
Ms. Zheng Catherine Jia Lin	N/A	N/A
Mr. Hao Jiming	1/3	0/1
Mr. Lau Kwok Hung	3/3	1/1
Mr. Fok Po Tin	3/3	1/1
Mr. Cai Xiaowen	2/3	0/1

BOARD COMMITTEES

The Board has delegated various responsibilities to the Board committees (including Audit Committee, Remuneration Committee, Nomination Committee and CG Committee) to oversee particular aspects of the Company's affairs. All committees are established with defined written terms of reference setting out their respective authorities and duties, which are available on the Company's website. The committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee is currently chaired by Mr. Lau Kwok Hung, with Mr. Fok Po Tin and Mr. Cai Xiaowen as members. All of them are INEDs who possess the relevant qualifications, experiences and skills to contribute to the financial, governance, internal controls and risk management of the Company.

The main duties of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual financial items; overseeing the relationship between the Company and the external auditors; and reviewing the adequacy and effectiveness of the Company's risk management and internal control systems. Details of the authorities and duties of the Audit Committee are set out in the terms of reference of the Audit Committee which make available on the Company's website.

During the Year, the Audit Committee held three meetings, inter alia, to review the final results for the year ended 31 December 2023 and the interim results for the six months ended 30 June 2024 of the Group, to review the Group's risk management and internal control systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and to discuss with the external auditor on the Group's audit plan. In addition, the Audit Committee have met the external auditor twice without the presence of the management to discuss areas of concerns, if any.

Members of the Audit Committee and their attendance are as follows:

Name of Directors	Meetings attended/held
Mr. Lau Kwok Hung *(Chairman)*	3/3
Mr. Fok Po Tin	3/3
Mr. Cai Xiaowen	3/3

Remuneration Committee

The Remuneration Committee is currently chaired by Mr. Lau Kwok Hung, with Mr. Fok Po Tin and Mr. Cai Xiaowen as members. All of them are INEDs. The Remuneration Committee is mainly responsible for making recommendations on the remuneration policy and structure and remuneration packages of the executive Directors and senior management of the Group. Details of the authorities and duties of the Remuneration Committee are set out in the terms of reference of the Remuneration Committee which make available on the Company's website.

During the Year, the Remuneration Committee convened two meetings to review the remuneration package of the Directors and senior management of the Group and the service contracts of the retiring and newly appointing Directors.

Members of the Remuneration Committee and their attendance are as follows:

Name of Directors	Meeting attended/held
Mr. Lau Kwok Hung *(Chairman)*	2/2
Mr. Fok Po Tin	2/2
Mr. Cai Xiaowen	1/2

Nomination Committee

The Nomination Committee is currently chaired by Mr. Zheng Andy Yi Sheng, the chairman of the Board, with two INEDs, Mr. Lau Kwok Hung and Mr. Fok Po Tin as members.

The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re-appointment of Directors, reviewing the Board's diversity policy and relevant implementation of the diversity policy, and making recommendations to the Board in respect of the aforesaid matters. Details of the authorities and duties of the Nomination Committee are set out in the terms of reference of the Nomination Committee which make available on the Company's website.

During the Year, the Nomination Committee convened two meetings to review the structure, size, composition and diversity of the Board and the independence of INEDs, and also, to consider the nomination and recommendation of re-appointment of retiring Directors and the appointment of a female Director.

Members of the Nomination Committee and their attendance are as follows:

Name of Directors	Meeting attended/held
Mr. Zheng Andy Yi Sheng *(Chairman)*	2/2
Mr. Lau Kwok Hung	2/2
Mr. Fok Po Tin	2/2

During the Year, the Nomination Committee reviewed the Board's composition and nominated Mr. Zheng Minsheng and Mr. Hao Jiming to the Board for it to recommend to the Shareholders for re-election at the annual general meeting held on 26 June 2024. The nomination was made after taken into account the respective contribution of the retiring Directors to the Board and the skills, experience, professional knowledge, personal integrity and time commitments of the retiring Directors, with due regard for the benefits of Board diversity. In addition, to achieve the Board gender diversity as well as to comply with rule 13.92 of the Listing Rules, the Nomination Committee having taken into account the qualification, experience, time commitment and contribution of Ms. Zheng Catherine Jia Lin, recommended the Board to appoint Ms. Zheng Catherine Jia Lin as an executive director of the Company with effect from 20 December 2024.

CG Committee

The CG Committee is currently chaired by Mr. Zheng Andy Yi Sheng, the chairman of the Board, with an executive Director, Mr. Zheng Minsheng and an INED, Mr. Lau Kwok Hung as members.

The CG Committee is responsible for, amongst other things, developing and reviewing the Company's policies and practices on corporate governance and make recommendation to the Board; review and monitoring the training and CPD of Directors and senior management; and monitoring the Company's policies and practices on compliance with legal and regulatory requirement on corporate governance matters of the Group, including the compliance with the CG Code and the relevant disclosures. Details of the authorities and duties of the CG Committee are set out in the terms of reference of the CG Committee which make available on the Company's website.

During the Year, the CG Committee convened one meeting to review the participation of CPD requirements of the Directors, the policies and practices on corporate governance matters, the compliance of the Model Code and CG Code and the Company's environmental, social and governance (ESG) report.

Members of the CG Committee and their attendance are as follows:

Name of Directors	Meeting attended/held
Mr. Zheng Andy Yi Sheng *(Chairman)*	1/1
Mr. Zheng Minsheng	1/1
Mr. Lau Kwok Hung	1/1

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 Year.

ACCOUNTABILITY AND AUDIT

Responsibility for the financial statements

The Directors acknowledge their responsibilities to prepare consolidated financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group and that of the results and cash flows in the relevant financial year. In preparing the financial statements for the Year, the Directors have selected appropriate accounting policies, applied them consistently in accordance with appropriate Hong Kong Financial Reporting Standards, and made adjustments and estimates prudently and reasonably. The Directors, having made appropriate enquiries, considered that the Group has adequate resources to continue its operational existence for the foreseeable future and thus have prepared the consolidated financial statements on a going concern basis. The responsibilities of the external auditors to the Shareholders are set out in the Independent Auditor's Report on pages 58 to 61 of this annual report.

Auditor's remuneration

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by PricewaterhouseCoopers, the auditor of the Group, and considered that such services have no adverse effect on the independence of their audit works. A summary of audit and non-audit services provided by PricewaterhouseCoopers for the Year and their corresponding remuneration is as follows:

Nature of services	HK$'000
Audit service	2,313
Others (including agree-upon procedures of preliminary announcement of annual results and other non-audit services)	132

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, recognising its overall responsibility in ensuring the risk management and internal control systems of the Group and reviewing its effectiveness, is committed to implementing an effective and sound risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

The Group has an established internal control structure and is committed to evaluating, enhancing and maintaining the structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority in place to assist the Board to maintain a proper control environment. An organisation structure with clearly defined lines of responsibility, authority and accountability. Procedures have been designed to (i) safeguard assets from inappropriate use; (ii) maintain proper accounting records; (iii) ensure compliance with applicable laws, rules and regulations; and (iv) manage the risk of failure to achieve business objectives.

The risk management and internal control systems of the Group provide a reasonable, but not absolute, assurance that material misstatement of the financial statements are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed. It could only manage, rather than eliminate, all risks of material misstatement, errors, loss or fraud.

Self-evaluation will be conducted annually to confirm that the Company has properly complied with the risks and internal control policies. The annual internal control review covers major activities and material controls (including operational, financial, compliance and risk management) of the Group's business and service units. A report on the result of assessment and recommendations has been provided to the Audit Committee and the Board. Based on the results of internal audit reviews and the assessment thereon, no significant irregularities or deficiencies in the risk management and internal control systems were drawn to the attention of the Audit Committee and the Board, but appropriate recommendations for further enhancing the internal control systems have been taken. The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group during the Year and considered the risk management and internal control systems are effective and adequate.

The Group handled and disseminated inside information in compliance with the Listing Rules and the SFO. If an information is determined as inside information, such information will be disclosed as soon as reasonably practicable by way of announcements unless the information falls within any of the Safe Harbours as provided in the SFO. Before the inside information is fully disclosed, such information will keep strictly confidential and will only be disclosed to, and handled by, those employees who have a genuine need to know. The Board will seek advice from the legal adviser of the Company for any doubts.

DIVIDEND POLICY

The Company's dividend policy enunciated at the time of initial public offering in 2013 is that it will pay not less than 35% of any net consolidated distributable profit for the year to the Shareholders as dividend. The Board has no present intention to change the policy. However, the declaration, payment and amount of dividends will be subject to the Board's discretion by considering a number of factors, including but not limited to:

(i) the actual and expected financial performance of the Group;

(ii) the retained earnings and distributable reserves of the Company;

(iii) the liquidity positions of the Group;

(iv) the future cash requirements and availability of the Group, including its expected working capital requirements, capital expenditure requirements and future expansion plans; and

(v) any other factors that the Board may consider appropriate.

The Board will review the dividend policy on a regular basis.

CONSTITUTIONAL DOCUMENTS

There was no change to the constitutional documents of the Company during the Year. The up-to-date consolidated version of the Memorandum and Articles of Association is available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

Mr. Lai Chi Fung, the Company Secretary and an employee of the Group, has complied with the training requirement under rule 3.29 of the Listing Rules.

SHAREHOLDERS

Communications with Shareholders

The Board recognises the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The formal communication channels between the Company and the Shareholders are corporate communications which include announcements, circulars, press releases, interim reports and annual reports. All corporate communications are available on the Company's website. An up-to-date consolidated version of the Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Shareholders are encouraged to participate in the annual general meetings and other general meetings of the Company which provide a useful forum for the Shareholders to exchange views with the Board. The Directors and management of the Company are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary.

Shareholders' Communication Policy

To promote and maintain an on-going dialogue with Shareholders and the investment community, the Company adopts a Shareholders' communication policy which aims at providing Shareholders with prompt and equal access to information about the Company in order to enable them to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company. Information about the Company's latest developments is communicated to Shareholders through the annual general meetings and other general meetings, if any, as well as periodic financial reports and all market announcements published on the websites of the Stock Exchange and the Company.

The Company has established several channels in communicate with Shareholders as follows:

– answering Shareholders' enquiries and request

– providing corporate communication to facilitate Shareholders' understanding

– posting relevant information on the Company's website

– making appropriate arrangements for the general meetings to encourage and facilitate Shareholders' participation at the Shareholders' meetings and answering Shareholders' questions

Having reviewed the implementation and effectiveness of the Shareholders' communication policy including steps taken at the annual general meeting and the handling queries received, if any, during the Year, the Shareholders' communication policy was considered to be effective and adequate.

Shareholders' rights

To safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, pursuant to the Articles of Association, Shareholder(s) holding not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the principal place of business of the Company in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huaxihds.com.hk) immediately after the relevant general meetings.

Shareholder's may at any time send their enquiries to the Board in writing to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary or by completing the enquiry form as make available in the Company's website. The Company will not deal with verbal or anonymous enquiries.

Shareholders may refer to the Articles of Association made available on the websites of the Stock Exchange and the Company for further details of their rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STATEMENT OF THE BOARD

The Group is well aware of the importance of effective environmental, social and governance (ESG) initiatives at the operational level. In pursuit of industrial development, excellent product quality, and high-quality services, the Group's operations have incorporated the normative requirements of the environmental philosophy, environmental management, and community contribution. The Group strives to enhance application of environmental technologies to its production, and places importance on collaboration with professional organizations and institutions at home and abroad, ensuring its business development complying with the regulations and requirements of the jurisdictions where its business operates with regard to green environmental protection and sustainable development.

The Board is responsible for formulating, overseeing, and disclosing ESG-related measures and key performance indicators. The Board is responsible for supervising its ESG management group which will handle overall ESG matters of the Company and is responsible for managing the environmental protection indicators of each subsidiaries of the Group during their production and operation. The ESG management group will coordinate and promote the Company's sustainable development, being in line with the relevant laws and regulations, with definitive management objectives, and with continuous improvements in managing ESG matters and risks. It will also ensure the Board is informed of ESG management objectives, plans, implementation status and risks treatment through regular reporting to guarantee the effectiveness of ESG management, so as to reflect the Company's core values. While the Board and the management work together to enhance the value and performance of the Company, they also assume responsibility for assessing and identifying risks associated with ESG matters, to ensure that risk management and internal control related systems operate properly and effectively. In business practice, the Board and the ESG management group review the implementation of ESG management objectives in accordance with internal control and review procedures on a regular basis, and optimize and adjust them in a timely manner to ensure the completion of ESG management objectives, and make every effort to ensure the accuracy and reliability of the information and data presented. The ESG management group members also regularly hold meetings with relevant departments to report on the implementation progress of ESG initiatives, to oversee and manage effective implementation and management of ESG management goals, and conduct reviews in due course and report to the Board when necessary.

BASIS FOR PREPARATION

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix C2 of the Listing Rules and in strict compliance with the principles namely "materiality, quantitative, balance and consistency" required in the guide. The section with regard to corporate governance is included in the Corporate Governance Report on pages 12 to 23 of this annual report. Data as disclosed in this report is derived from the in-house statistics and analysis of the Group. Save as disclosed, the statistical methods and key performance indicators used in this report remain consistent with those of last year.

REPORTING SCOPE AND BOUNDARY

The scope of this report covered the two wholly-owned subsidiaries which account for the majority of the Group's revenue: Shantou Xinda and Hongdong Treatment, whose principal businesses are Cigarette Packaging Business and Environmental Treatment Business respectively.

This report covered the management policies, strategies, quantitative standards, methods, assumptions, and calculations related to ESG of the Company for FY2024. Details are set out in the relevant part in this report.

STAKEHOLDERS AND MATERIALITY ASSESSMENT

The Group continues to establish a diversified communication channel with stakeholders (including Shareholders, customers, employees, suppliers, regulators and the public) to safeguard their interests and ensure the achievement of long-term corporate development objectives closely relating to them.

The stakeholder groups, their expectations and their communication channels with the Company are as follows:

Stakeholder	Expectation	Contact and Communication
Shareholder	Effective management and operational model Sound internal financial management procedures Efficient operating cost and risk control capability Timely and accurate disclosure of important corporate information Sustainable and steady growth of corporate business Sustainable and steady growth of stock price and dividend	General meeting Appointment of international-branded audit firms as the auditor of the Group Regular and timely announcement and report Disclosure of major investment (project) Publication and communication via corporate website
Employee	Stable work cycle Competitive salary Ambitious development platform High standard working environment Harmonious working atmosphere Comprehensive employee benefits Occupational health protection	Employee representative meeting and conference Signing labour contracts and purchasing social insurance and commercial insurance for employees Paying housing provident fund for employees Targeted capacity training and development mechanism Provision of a safe and certified working environment Festival care and activities for employees Regular employee medical examination and provision of safety guidelines for work

Stakeholder	Expectation	Contact and Communication
Customer	Quality products and services Clear service standards Strict compliance with terms of contracts with customer Stringent customer rights protection	Entering into agreements with customers Maintaining good communication with customers Building a strict quality traceability mechanism Establishing corporate brand guarantee
Government and Regulatory Authorities	Local laws and regulations compliance Obliging supervision and inspection measures Timely reporting Paying taxes levied as required Corruption-free business behavior Bearing the social responsibility of a Hong Kong listed company	Compliance with laws and supervision Proactive payment of tax payables Proactively participating in relevant meetings and seminars
Supplier	Long-term and stable partnership Guaranteed stable payment Promoting industry development and communication	Supplier periodic assessment and data enhancement Establishment of a purchasing price inquiry and comparison system Development of a code of integrity cooperation Proactively participating in industry association related activities Collaboration with universities and advanced research institutions
Community and Public	Organizing and participating in community improvement activities Promoting long-term social development Charity	Tree-planting and emission reduction

After communicating with the stakeholders and based on an overall assessment of the relevance/importance to the Company, the following issues were identified as significant to the Group:

A. ENVIRONMENT

A1: Emissions

The Group is in strict compliance with relevant laws and regulations in relation to environmental protection and pollution control.

Wastewater discharge standards

– Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB44/26-2001) in Guangdong Province

Exhaust gas emission standards

– Emission Standard of Air Pollutants for Printing Industry (《印刷工業大氣污染物排放標準》) (GB 41616-2022)
– Emission Standard of Volatile Organic Compounds for Printing Industry (《印刷行業揮發性有機化合物排放標準》) (DB44/815-2010) in Guangdong Province
– Integrated Emission Standard of Volatile Organic Compounds for Stationary Pollution Source (《固定污染源揮發性有機物綜合排放標準》) (DB44/2367-2022) in Guangdong Province

Waste emission standards

– Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB 18597-2023)
– Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (《一般工業固體廢物貯存和填埋污染控制標準》) (GB 18599-2020)
– Technical Guidelines for Solid Waste Treatment and Disposal Engineering (《固體廢物處理處置工程技術導則》) (HJ 2035-2013)

Wastewater discharge policy
Shantou Xinda

1. There is no wastewater generated during the production. The wastewater is mainly domestic sewage, which is treated by sewage treatment facilities and then discharged in compliance with the regulations.

2. Strengthen the daily maintenance of sewage treatment facilities to ensure that the indicators of domestic sewage after treatment meet the specified requirements.

3. Wastewater pipes and rainwater pipes are strictly separated, and discharge of wastewater into rainwater pipes is prohibited.

4. Waste oil, waste chemicals and other items that will cause material harm to the environment are not allowed to be poured into the sewers; instead, they must be properly stored in special containers and be collected by the designated cooperative unit of the office.

5. Supervisors of all departments shall strengthen the training of employees, and prohibit the discharge of waste and residue (such as various wastes, soil and garbage) into the sewers.

6. The equipment department shall clean the wastewater pipes and rainwater pipes once a year.

Hongdong Treatment

1. No large-scale industrial equipment is operated, and therefore no wastewater is generated during the production process.

2. The wastewater produced in the daily living is mainly kitchen wastewater, which is treated by the kitchen filtration equipment and then discharged into the wastewater pipes.

Exhaust gas emission policy
Shantou Xinda

1. The equipment department is responsible for regularly maintaining and servicing equipment in workshops that emit larger quantities of exhaust gases and have a greater environmental impact. At the site, exhaust collection pipes are installed connecting to exhaust treatment facilities to ensure the exhaust emissions meet regulatory requirements.

2. The office is responsible for the annual review of all corporate vehicles to ensure compliance of exhaust gas emissions with regulatory requirements.

3. Third-party authorities are entrusted to conduct measurement with indicators of exhaust gas emissions once a year.

Hongdong Treatment

1. No large-scale industrial equipment is operated, and therefore no exhaust gas is generated during the production process.

2. Regular maintenances and annual review of all corporate vehicles shall be carried out to ensure compliance with exhaust gas emissions with regulatory requirements.

Waste emission policy
Shantou Xinda

1. Waste oil, waste chemicals and other items that will cause material harm to the environment must be properly stored in special containers and be collected by the designated cooperative unit of the office.

2. Waste papers, including printed waste papers, are recycled for reuse. General waste is store centrally, and collected and disposed of at regular intervals at designated locations by the park.

Hongdong Treatment
In daily operations, there is no emission of hazardous waste. Non-hazardous waste from daily activities is collected by cleaners at the end of each workday and send to designated recycling locations within the office building for centralized recycling.

A1.1 Types of exhaust emissions and respective emissions data

Shantou Xinda
The production activities of Shantou Xinda do not directly generate exhaust gas emissions, but some of the production materials such as solvent will volatilize to produce benzene and volatile organic compounds (VOCs). At present, all the production workshops and production facilities of Shantou Xinda are equipped with exhaust gas collection and treatment devices for instantaneous pollution emissions collection to deal with source of pollution. The collected exhaust gas will be burned through rotary regenerative thermal oxidizer (RTO) waste treatment system, which significantly reduces harmful substances and will be discharged only after passing the inspection by a third-party qualified organization and meeting the relevant environmental protection standards. Meanwhile, the Emergency Response Plan for Environmental Emergencies (《突發環境事件應急預案》) formulated by Shantou Xinda has passed expert's review and has been filed with relevant government departments.

Types of exhaust	Local standards and limits in Guangdong Province(Note 1) (unit: emission concentration, mg/m^3)	**Third-party inspection index in 2024 (unit: emission concentration, mg/m^3)**	Third-party inspection index in 2023 (unit: emission concentration, mg/m^3)
VOCs	120	**11.8**	11.4
Benzene	1	**0.47**	0.52
Toluene and Xylene	15	**0.051**	0.055

Note:

1. Refer to Emission Standard of Volatile Organic Compounds for Printing Industry (《印刷行業揮發性有機化合物排放標準》) (DB44/815-2010) in Guangdong Province – Table 2 limit of average emission from printing in the second time period.

During the Year, the emission concentration of exhaust gas from Shantou Xinda remained within the statutory standard range.

Hongdong Treatment
Hongdong Treatment does not generate exhaust gas emissions during its operation and production.

A1.2 Greenhouse gas emissions

Carbon Dioxide (CO_2) Emissions

CO_2 Emissions	2024 Shantou Xinda (tonne)	2024 Hongdong Treatment (tonne)	2024 Total (tonne)	2023 Shantou Xinda (tonne)	2023 Hongdong Treatment (tonne)	2023 Total (tonne)
Liquefied Petroleum Gas (LPG)	**0.35**	**–**	**0.35**	1.00	–	1.00
Electricity	**2,939.48**	**90.78**	**3,030.26**	3,123.00	108.88	3,231.88
Gasoline	**18.54**	**24.55**	**43.09**	24.10	43.31	67.41
Diesel	**3.16**	**19.10**	**22.26**	5.10	24.36	29.46
Total	**2,961.51**	**134.43**	**3,095.94**	3,153.20	176.55	3,329.75

* 1 kilogram (kg) LPG≈3.1013kg CO_2; 1 kilowatt-hour electricity≈0.997kg CO_2; 1 Litre (L) gasoline≈2.254kg CO_2; 1 Litre (L) diesel≈2.63kg CO_2.

The abovementioned mainly refers to the CO_2 emissions generated by equipment and transportation vehicles during the production and administrative processes of the corporates, as well as the CO_2 emissions generated in employees' daily activities (such as kitchen and staff dormitory water heaters).

In 2024, the production volume of Shantou Xinda decreased and overall energy consumption decreased by approximately 6.1% as compared to last year. As for Hongdong Treatment, due to the reduction in projects and by optimising the boot time of devices, the overall energy consumption decreased by 23.86% as compared to last year. Overall, CO_2 emissions for the Year decreased by 1%, meeting the target set last year. If the overall business volume remains stable, the target of CO_2 emissions for 2025 is set to decrease by 1% year-over-year.

Nitrogen Oxide (NO_x) Emissions

NO_x Emissions	2024 Shantou Xinda (tonne)	2024 Hongdong Treatment (tonne)	2024 Total (tonne)	2023 Shantou Xinda (tonne)	2023 Hongdong Treatment (tonne)	2023 Total (tonne)
Gasoline	**0.1735**	**0.2298**	**0.4033**	0.2258	0.4084	0.6342
Diesel	**0.0108**	**0.0654**	**0.0762**	0.0144	0.0975	0.1119
Total	**0.1843**	**0.2952**	**0.4795**	0.2402	0.5059	0.7461

* 1L gasoline produces 21.1 gram(g) NO_x; 1L diesel produces 9g NO_x.

Sulfur Oxide (SO_x) Emissions

SO_x Emissions	2024 Shantou Xinda (tonne)	2024 Hongdong Treatment (tonne)	2024 Total (tonne)	2023 Shantou Xinda (tonne)	2023 Hongdong Treatment (tonne)	2023 Total (tonne)
Gasoline	**0.0024**	**0.0032**	**0.0056**	0.0032	0.0057	0.0089
Diesel	**0.0094**	**0.0566**	**0.0660**	0.0125	0.0845	0.0970
Total	**0.0118**	**0.0599**	**0.0716**	0.0157	0.0902	0.1059

* 1L gasoline produces 0.295g SO_x; 1L diesel produces 7.8g SO_x.

In 2024, Shantou Xinda's NO_x emissions decreased by 23.27% and SO_x emissions decreased by 24.84%, primarily due to less business travels and receptions, resulting in a decrease in the use of company vehicles as compared to last year. Hongdong Treatment's NO_x emissions decreased by 41.65% and SO_x emissions decreased by 33.59%, primarily due to the completion of projects and increased preliminary surveys, resulting in a decrease in the use of company vehicles. Overall, NO_x and SO_x emissions for the Year decreased by 1%, meeting the target set last year. If the overall business volume remains stable, the target of NO_x and SO_x emissions for 2025 is set to decrease by 1% year-over-year.

A1.3 Hazardous waste discharge

Shantou Xinda

Wastes such as waste activated carbon, waste ink residue and other solid wastes are generated in the previous product production process. With the modification process of the existing treatment facilities for exhaust gases, the current production process no longer uses activated carbons. Thus, Shantou Xinda did not generate corresponding wastes during the Year.

Name of Solid Waste	2024 (tonne)	2023 (tonne)
Waste activated carbon	**–**	2.000
Waste ink residue	**3.761**	4.200
Total	**3.761**	6.200

Hongdong Treatment

It does not generate any hazardous solid waste during its daily operation.

A1.4 Non-hazardous waste discharge

Non-hazardous waste mainly consists of domestic waste, including kitchen food waste and daily office trash.

Name of Non-hazardous Waste	2024 Shantou Xinda (tonne)	2024 Hongdong Treatment (tonne)	2024 Total (tonne)	2023 Shantou Xinda (tonne)	2023 Hongdong Treatment (tonne)	2023 Total (tonne)
Waste empty drums	**1.97**	**–**	**1.97**	0.76	–	0.76
Waste rags	**0.05**	**–**	**0.05**	0.04	–	0.04
Non-hazardous domestic waste	**19.44**	**5.87**	**25.31**	18.63	6.20	24.83
Total	**21.46**	**5.87**	**27.33**	19.43	6.20	25.63

A1.5 Emission targets and corresponding steps to be taken

Exhaust gas emission

Emission targets: To ensure the emission concentration of exhaust gas is within the legal standard range in accordance with the data stipulated in the relevant laws and regulations.

Steps to be taken:

Shantou Xinda

1. The equipment department is responsible for conducting regular maintenance of equipment in workshops that emit a large amount of exhaust gas and have a significant environmental impact. It is required to install exhaust gas collection pipelines on-site connecting to exhaust gas treatment facilities to ensure that emissions comply with regulatory requirements.

2. The office is responsible for conducting annual inspections on all corporate vehicles to ensure exhaust emissions meet regulatory requirements.

3. Engage a third party authority to conduct annual comprehensive testing on various indicators of exhaust gas emissions.

Hongdong Treatment

1. No large industrial equipment is in operation, and therefore there is no exhaust gas emission during the production process.

2. Conduct regular maintenance and annual inspections on all corporate vehicles to ensure exhaust emissions comply with regulatory requirements.

Greenhouse gas emissions

Shantou Xinda

Emission targets: Strive to reduce CO_2, NO_x and SO_x by 0.5% on a year-on-year basis if the output in 2025 remains at the level of this Year.

Steps to be taken: To enhance greening and reduce emissions by implementing measures such as planting trees in the factory annually; to reduce greenhouse gas emissions by encouraging employees to carpool as much as possible when traveling for work, to reduce the number of cars used.

Hongdong Treatment
Emission targets: Strive to reduce CO_2, NO_x and SO_x by 0.5%.

Steps to be taken: To encourage employees to use shared bicycles and electric vehicles and reduce the use of cars and motor vehicles during daily operations such as project surveys and inspection of drainage points, aiming to reduce greenhouse gas emissions. To reduce the frequency of business travels and, when traveling, give priority to using public transportation whenever possible.

A1.6 Methods of handling wastes, wastes reduction targets and corresponding steps to be taken

Non-hazardous waste
They are mainly domestic waste, which are kitchen food waste and office waste. The domestic waste are put in designated places each day after sorted by employees, which will then be collected and centrally disposed of by property cleaning company, so as to keep the office environment clean and tidy.

Emission targets: To decrease the total amount of non-hazardous waste by 0.5% on a year-on-year basis.

Steps to be taken: To strictly implement the company's Energy-saving and Consumption-Reduction Control Regulations (《節能降耗控制規定》), to encourage the recycling of waste materials and to make the best use of them.

Hazardous waste
Hazardous waste is centrally stored in the hazardous waste warehouse, managed in accordance with the Hazardous Waste Management Policy (《危險廢棄物管理制度》), and centrally handled by qualified recycling institutions entrusted by the company.

Shantou Xinda
Emission targets: To decrease emissions per unit of output by 0.5% on a year-on-year basis.

Steps to be taken: To strengthen the management and control of materials utilization, the production department to control the consumption of materials within the budget or quota, and to strengthen the supervision of materials utilization.

A2: Use of resources

Resources policy:

Electricity saving measures

1. During machine overhaul, electric heat source, power source and gas source shall be shut off.

2. During non-production period, power supply, gas source and power of exhaust system of machines shall be cut off.

3. Recommend not to turn on the air conditioners when the forecasted maximum temperature is below 28°C. Do not turn on the air conditioners when there is nobody in the office during office hours everyday, and do not open windows when the air conditioners are turning on.

4. The office strictly implements the central air conditioning operating regulations, and air conditioning temperature shall be set above 26°C in summer. The air conditioning system shall be turned off 30 minutes before going off duty in the evening.

5. When the weather is sunny and there is adequate sunlight, indoor lighting shall be turned off to make full use of natural light. Do not turn on the lighting when there is nobody in the office, and turn off the lighting when going off duty. If there is no staff working overtime during lunch break, the indoor lighting shall be turned off.

6. Energy saving system is installed for elevators. No passengers are allowed in the elevators of the factory except for the guests accompanied by the leaders of the company. When there is no production in the workshops at night or during holidays, the power of elevators shall be shut off by security guards.

7. Energy saving modes are applied to office equipment. Power management of office equipment, such as computers, printers, copiers, fax machines and shredders, are strengthened by reducing standby power consumption, which shall only be turned on while using and shall be turned off after using and before going off duty.

8. The river treatment equipment shall be turned on at regular intervals strictly according to business needs and shut down at non-essential times to reduce standby energy consumption.

Water consumption reduction measures

1. Production materials are reviewed annually based on various indicators to reduce consumption.

2. The use of water-saving appliances is actively promoted. During washing, water flow shall be properly controlled and taps shall be turned off readily. Leakage shall be timely reported for repairing.

3. Taking advantage of the rainy climate in southern China, rainwater is collected through the park's landscape pool and filtered to be used as circulating cooling water for the equipment. At the same time, it is also used for fire-protection water replenishment and daily irrigation water. Use of tap water shall be minimized.

Environmental protection policy

1. Waste material management
   (1) Recyclable or reusable waste materials: Collected by designated personnel of the company, stored in designated places, and disposed of and sold in a centralized manner.

   (2) Non-recyclable waste materials: Those will pollute the environment shall be placed in designated places, and disposed of in a centralized manner by dedicated personnel.

2. Other
   (1) When purchasing materials, apparatus and office equipment, priority is given to energy-saving equipment or products with low energy consumption and national certification, and high-energy consumption equipment or products that are prohibited by the nation are eliminated.

   (2) Digitalized office is vigorously promoted. Whenever possible, documents shall be revised on electronic media and information shall be transmitted via Internet, so as to reduce consumption of paper and enable paperless office. Papers shall be used on both sides. Give priority to the reuse of used envelopes and copy paper. Double-sided printing shall be adopted whenever possible. Ink and toners of printers, copiers and all-in-one machines shall be refilled after being used up, to improve reuse rate.

   (3) Encourages employees to eliminate disposable tableware and reuse recyclable cups and cutlery with disinfection measures in place.

   (4) Some of the reusable delivery containers and packaging materials are recycled and reused by employees. Traditional glues are replaced with benzene-free glues which are more environmentally friendly.

(5) Taking advantage of rainy climate in southern China, Shantou Xinda collected and filtered rainwater for fire-protection water replenishment and daily irrigation. Hongdong Treatment advocated civilized construction, and minimise the impact on environment in the course of construction.

(6) Company delegates its duties of energy conservation and consumption reduction to various departments and positions and conducts corresponding cost reduction assessment and annual evaluation.

(7) Various means are used to spread knowledge of energy conservation and consumption reduction, cultivate all employees' awareness of resource concerns and good habits of diligence and thrifty, and create a sound atmosphere of "conservation by everyone for everything everywhere".

A2.1 Total energy consumption and intensity

Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity:

Type of Energy	Unit	Intensity	2024 Shantou Xinda	2024 Hongdong Treatment	2024 Total	2023 Shantou Xinda	2023 Hongdong Treatment	2023 Total
Electricity	Degree/kW		2,948,320.00	91,053.00	3,039,373.00	3,132,045.00	108,877.97	3,240,922.97
LPG	Kilogram	580kg/m^3	112.00	–	112.00	420.00	–	420.00
Gasoline	Litre	0.7g/m^3	8,223.49	10,892.95	19,116.44	10,702.54	19,262.39	29,964.93
Diesel	Litre	0.8g/m^3	1,200.00	7,261.60	8,461.60	1,600.00	10,835.10	12,435.10

Shantou Xinda

Since the cafeteria changed to use natural gas during last year, LPG consumption decreased during the Year as compared to last year.

Hongdong Treatment

As a result of the completion of certain projects, usage of electricity, gasoline and diesel decreased as compared to last year.

A2.2 Total water consumption and intensity

Type of Energy	Unit	2024 Shantou Xinda	2024 Hongdong Treatment	2024 Total	2023 Shantou Xinda	2023 Hongdong Treatment	2023 Total
Total water consumption	Tonne	21,530.00	2,254.00	23,784.00	22,327.00	3,588.00	25,915.00

A2.3 Energy use efficiency targets and corresponding steps to be taken

Energy use efficiency targets: Energy saving, reducing power consumption.

Steps to be taken: To fully use Light Emitting Diode (LED), to adjust the automatic opening and closing time of factory lighting according to the sunshine duration and control the air conditioner's temperature at 26°C during summer to save daily electricity consumption.

A2.4 Issues on sourcing water, water efficiency targets and corresponding steps to be taken

Shantou Xinda

There are no issues related to sourcing water.

Water efficiency targets: To reduce water consumption for the purpose of enhancing water efficiency.

Steps to be taken: To implement measures such as collecting rainwater for irrigating greenery of the company, to promote the concept and culture of water conservation through practical actions and to encourage employees to save water.

Hongdong Treatment

There are no issues related to sourcing water.

Water efficiency targets: To reduce water consumption for the purpose of enhancing water efficiency.

Steps to be taken: To encourage saving water among employees by promoting the concept and culture of water conservation.

A2.5 Total packaging materials used for finished goods

Shantou Xinda

During the Year, the packaging materials mainly adopted by Shantou Xinda were recyclable trays and recyclable protective paperboard, which amounted to approximately 54.6 tonnes (2023: approximately 57.36 tonnes) in total.

Hongdong Treatment

Hongdong Treatment is primarily engaged in construction services, and therefore no packaging materials for finished goods are involved.

A3: Environment and natural resources

For policies to reduce significant impacts on the environment and natural resources, please see the policies and measures adopted in A1 and A2.

A3.1 Significant impacts of business activities on environment and natural resources and the actions taken to manage them

The business activities of Shantou Xinda and Hongdong Treatment have no significant impact on environment and natural resources.

A4: Climate change

Since the Group's principal subsidiaries and projects are carried out in regions along the southeast coast of China, typhoons and rainstorms are the main climate-related issues affecting its business. The Group has established corresponding emergency plans in responding to these issues.

A4.1 Significant climate-related subsequent issues which have impacted, and those which may impact, the Group, and the actions taken to manage them

Shantou Xinda

Typhoons and rainstorms have a greater impact on the transportation of packaging materials of Shantou Xinda. Shantou Xinda continues to pay attention to the weather forecast, tries its best to schedule deliveries on sunny days, waterproofs the cargoes, and emphasizes the importance of cargo protection with the transportation companies.

Hongdong Treatment
The projects of Hongdong Treatment are mainly conducted outdoors, thus typhoons and rainstorms have a greater impact on project construction. Hongdong Treatment continues to pay attention to the weather forecast, accelerates the construction progress during the dry season, does not arrange outdoor project construction during typhoon and rainstorm days, and takes corresponding protective measures for the project construction site in advance.

B. SOCIAL

Employment and Labour Practices

The Group understands that employees are the cornerstone and important assets of the Group, and also a key element in building a sustainable business model and creating long-term returns. Therefore, the Group values and safeguards the legitimate rights of employees, provides employees with good career development opportunities, pays attention to their health and safety, and expresses care and concern to them, striving to create a comfortable and satisfactory working environment for its employees, with the goal of achieving mutual growth between employees and the enterprise.

B1: Employment

Recruitment and training

1. The Group conducts recruitment in an open and fair manner and in compliance with laws and regulations. By considering the applicants' education, experience, skills, qualifications and the requirements of the Group, we aim to introduce talents that align with our continuous pursuit of innovation and evolution goals.

2. The Group is committed to developing a fair working environment. In order to provide equal opportunities of promotion to each employee, the Group has a series of assessment procedures in place to assess employee performance in a more objective and comprehensive manner before determining the candidates for promotion. The Group opposes any form of discrimination, and will not allow the disability status of an applicant to affect hiring and promotion decisions, ensuring that individuals with disabilities also have the opportunity to work and advance in their careers normally.

3. The Group has been in compliance with the requirements under the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Employment Ordinance (《僱傭條例》) of Hong Kong. Where any employee fails to perform his/her current position, such employee will undergo training or be redesignated to a different role. In case such an employee still cannot fulfill the job requirements, the Group will terminate the labour relationship in accordance with relevant laws and regulations.

4. The Group arranges various social insurance, such as pension insurance, medical insurance, work injury insurance and unemployment insurance, for its employees in accordance with government regulations.

Remuneration

1. The employees of the Group come from various provinces across China. Under the compensation principle of gender equality and equal pay for equal work, any form of geographical or gender discrimination will be rejected. The Group is committed to providing opportunities and platforms for every employee to tap into their potential, while their salary will be based on their professional knowledge, skills and specific job performance.

2. The Group adjusts its remuneration package with reference to the overall performance of the Group and market conditions to motivate employees to forge ahead.

Employee benefits

In accordance with the laws and regulations of Mainland China and Hong Kong and in combination with its actual situation, the Group has formulated a welfare system for all employees, mainly including:

1. Social insurance (e.g. pension insurance, medical insurance and work injury insurance) or Mandatory Provident Fund contributions for employees;
2. Commercial accident insurance for employees engaged in frontline operation;
3. Corresponding bonuses and incentives based on corporate performance;
4. Holiday gifts and year-end prizes for employees based on corporate performance;
5. Necessary heatstroke prevention medicines and cooling drinks for employees;
6. Unscheduled employee group activities;
7. Regular medical examination for employees of special work types;
8. Necessary work uniforms for employees;
9. Meals and accommodations or corresponding allowances for employees stationed at factories or project departments; and
10. Improving the conditions of food and accommodation, working environment and welfare package for employees according to the actual situation of the enterprise.

Hongdong Treatment

Hongdong Treatment promulgated the Human Resource Management System (《人力資源管理制度》) and the Staff Handbook (《員工手冊》) to clarify the relevant regulations that employees should abide by, such as recruitment, promotion, attendance, integrity, rewards and punishments, and code of conduct.

B1.1 Total number of employees

Shantou Xinda

During the Year, all of the employees of Shantou Xinda are stationed in China. As at 31 December 2024, Shantou Xinda had 213 (31 December 2023: 218) full-time employees in service, and the age group and gender distribution are set out as follows:

2024						2023					
Age group	Number	Percentage	Gender	Number	Percentage	Age group	Number	Percentage	Gender	Number	Percentage
≤25	1	0.47	Male	150	70.42	≤25	2	0.92	Male	151	69.27
26-35	32	15.02	Female	63	29.58	26-35	35	16.06	Female	67	30.73
36-45	79	37.09				36-45	83	38.07			
46-55	70	32.86				46-55	72	33.03			
≥56	31	14.55				≥56	26	11.92			
Total	213	100.00		213	100.00	Total	218	100.00		218	100.00

Hongdong Treatment

During the Year, all of the employees of Hongdong Treatment are stationed in China. As at 31 December 2024, Hongdong Treatment had 37 (31 December 2023: 60) full-time employees in service, and the age group and gender distribution are set out as follows:

2024						2023					
Age group	Number	Percentage	Gender	Number	Percentage	Age group	Number	Percentage	Gender	Number	Percentage
≤25	–	0.00	Male	29	78.38	≤25	–	0.00	Male	49	81.67
26-35	13	35.13	Female	8	21.62	26-35	30	50.00	Female	11	18.33
36-45	10	27.03				36-45	13	21.67			
46-55	10	27.03				46-55	10	16.67			
≥56	4	10.81				≥56	7	11.66			
Total	37	100.00		37	100.00	Total	60	100.00		60	100.00

During the Year, as a result of the completion of certain projects and adoption of labour outsourcing services, Hongdong Treatment optimised its talent structure, with a decrease in the number of staff as compared to last year.

B1.2 Employee turnover rate

Shantou Xinda

During the Year, Shantou Xinda had a total of 12 (2023: 8) employees who resigned, all of whom are stationed in China, and the age group and gender distribution are set out as follows:

2024						2023					
Age group	Number	Percentage	Gender	Number	Percentage	Age group	Number	Percentage	Gender	Number	Percentage
≤25	1	8.33	Male	5	41.67	≤25	1	12.50	Male	7	87.50
26-35	–	0.00	Female	7	58.33	26-35	3	37.50	Female	1	12.50
36-45	3	25.00				36-45	2	25.00			
46-55	5	41.67				46-55	1	12.50			
≥56	3	25.00				≥56	1	12.50			
Total	12	100.00		12	100.00	Total	8	100.00		8	100.00

Hongdong Treatment

During the Year, Hongdong Treatment had a total of 23 (2023: 11) employees who resigned, all of whom are stationed in China, and the age group and gender distribution are set out as follows:

2024						2023					
Age group	Number	Percentage	Gender	Number	Percentage	Age group	Number	Percentage	Gender	Number	Percentage
≤25	–	0.00	Male	18	78.26	≤25	–	0.00	Male	9	81.82
26-35	15	65.21	Female	5	21.74	26-35	1	9.09	Female	2	18.18
36-45	4	17.39				36-45	9	81.82			
46-55	2	8.70				46-55	1	9.09			
≥56	2	8.70				≥56	–	0.00			
Total	23	100.00		23	100.00	Total	11	100.00		11	100.00

B2: Health and safety

The Group attaches great importance to the physical and mental health of its employees and production safety, and has been committed to maintaining and improving the relevant standards and management level of the enterprise. The Group has set up a comprehensive occupational health and safety management system covering policy formulation, program planning, specific implementation and operation, inspection, correction and rectification, evaluation and management of program implementation results and continuous improvement. Specific measures include:

1. Continuously improving and optimizing the working and production environment, and increasing the allocation of funds for labour protection equipment for safe production;

2. Regularly holding safety production training every quarter to enhance employees' occupational health and safety mindset;

3. Strengthening the regular inspection and maintenance of mechanical equipment to ensure the safe operation of mechanical facilities;

4. Strictly controlling the employment management of special operation personnel by verifying the corresponding skill certificates and qualification certificates for the job, and ensuring that special operations are conducted strictly in accordance with the relevant operational standards of the local governments;

5. Setting up a healthcare cabinet to supply routine emergency medicines, heatstroke prevention and cooling health care products, and protect employees' health as much as possible;

6. Regularly arranging necessary occupational medical examinations for employees to ensure their health, and effectively prevent and control the emergence of occupational diseases.

Shantou Xinda and Hongdong Treatment have both passed the Occupational Health and Safety Management System Certification (GB/T45001-2020/ISO45001:2018).

Shantou Xinda and Hongdong Treatment strictly abide by national and local laws, regulations and practices, including but not limited to: the Occupational Disease Prevention and Control Law of the People's Republic of China (《中華人民共和國職業病防治法》), Environmental and Occupational Health and Safety Operation Control Procedures (《環境和職業健康安全運行控制程序》), Environmental and Occupational Health and Safety Monitoring and Measurement Procedures (《環境和職業健康安全監視和測量程序》) and Environmental and Occupational Health and Safety Measurement and Control Procedures (《環境和職業健康安全測量控制程序》).

B2.1 Number and rate of work-related fatalities occurred in the past three years

There were no work-related deaths of employees of Shantou Xinda and Hongdong Treatment in the past three years (including this Year), and the rate of work-related deaths in the past three years was zero.

B2.2 Lost workdays due to work injury

During the Year, there were no work-related injuries at Shantou Xinda and Hongdong Treatment and the number of workdays lost due to work-related injuries was nil (2023: Nil).

B2.3 Occupational health and safety measures adopted, and the related implementation and monitoring methods

Employees' health

1. A compliance team of the company has been set up to take charge of occupational safety monitoring and measurement. Each department of the company is responsible for assisting the monitoring and measurement work of the compliance team.

2. For special operation personnel, the company conducts occupational health examination for employees regularly, and arranges timely for transfers if adverse health conditions are found in examinations. When an occupational disease is found, specialized treatment will be provided to the patient in accordance with the requirements of the Occupational Disease Management Ordinance until recovery, and consideration is given to whether to transfer the employee from his/her original position according to the actual situation.

3. The compliance team monitors and measures occupational health and safety parameters based on relevant documents. Items to be measured include: motor vehicle noise measurement and production equipment noise measurement, and the measuring results shall be archived in the prescribed form.

4. The company monitors the operation of occupational health and safety. Each department of the company takes regular inspection on its respective occupational health and safety operation control to ensure the operation of the departments conforms to the requirements of relevant procedures and basic documents. The compliance team conducts random supervision and inspection of the operation control of each department. The results of inspection are recorded in the "Occupational Health and Safety Operation Inspection Record Form".

5. The compliance team analyses the historical evidence of accidents, diseases, incidents and other adverse occupational health and safety performance, and takes corrective and preventive measures based on the conclusions of analysis.

Employees' safety

1. The production workshops are of a rational layout and kept clean and tidy. Protective equipment must be provided for operations that are harmful to employees' health. In dangerous working places such as those under high temperature or humidity, effective protective measures must be taken correspondingly.

2. All kinds of equipment shall not operate under overload or malfunction conditions, and shall be used correctly, maintained frequently, and overhauled regularly. Obsolete equipment that does not meet safety requirements shall be replaced on a planned basis.

3. Electrical equipment and circuits shall conform to relevant safety requirements. Electric equipment shall be equipped with fusible safety devices and leakage protection, with excellent insulation performance and reliable protection measures.

4. The transportation, storage, use, and disposal of flammable and explosive materials must have fire prevention and explosion-proof signs, and safety operation regulations must be strictly implemented.

5. Employees shall undergo training before taking up their jobs, and strengthen their work skills and quality and awareness of environment, occupational health and safety through on-the-job training. For those involved in special types of work, they must possess required work permits and undergo regular safety training and education.

6. The compliance team regularly arranges environmental and safety inspections, with the specific methods implemented in accordance with the Environmental and Occupational Health and Safety Measurement and Control Procedures (《環境和職業健康安全測量控制程序》).

7. Employees practice mutual tutelage and supervision, identify problems and risks in time, and put forward suggestions for improvement.

B3: Development and training

Training management

1. The company has formulated corresponding responsibilities and requirements of each position and regards these as the criteria for evaluation of employees.

2. A system related to training management has been established, pursuant to which the training works can be arranged properly.

3. The training department is required to fill in the Training Implementation Record Form after the training and submit the same to the office in time for filing.

4. After going out for training, participants are required to write a report of the training experience, and submit it together with relevant training materials to the office for filing.

5. Quality education or professional theoretical training shall be received from time to time outside or inside the company.

6. New employees must be trained (collectively or individually as entourage) before duty commence.

7. Employees who have moved to different positions shall undergo new job training and pass the examination before duty commence.

8. The company's employees have the right to participate in training, as well as the obligation to receive training and train others. In addition to requiring employees to actively and cooperatively participate in various trainings organized by the company and all departments, the company advocates and encourages employees to carry out autonomous learning in improving professional knowledge, skills and comprehensive quality.

B3.1/B3.2 **The percentage/average training hours of employees trained by gender and employee category**

During the Year, Shantou Xinda and Hongdong Treatment established a series of high quality courses of skills training for employees at all levels to ensure that the enterprises are at the forefront of the industry in all aspects of management, production, safe operation and quality control.

Shantou Xinda

During the Year, Shantou Xinda provided a total of 422 (2023: 665) training sessions for its employees, with a total training time of 30 hours (2023: 76 hours).

2024						2023					
Employee category	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)	Employee category	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)
Senior Management	3.08	2.46	Male	69.67	2.02	Senior Management	0.45	4.0	Male	63.76	2.1
Middle Management	33.41	2.01	Female	30.33	2.16	Middle Management	33.23	2.0	Female	36.24	2.09
Other Staff	63.51	2.07				Other Staff	65.32	2.14			
Total	100.00			100.00		Total	100.00			100.00	

During the Year, details of staff training activities in Shantou Xinda are set out below:

Month	Training Program	Duration	Number of Participant
January	Environmental Protection "One Enterprise One File" (「一企一檔」) Policy Training	2	6
February	ESG Reporting Training	2	1
March	Training on Production Transition from 94.5mm White Cardboard Frame Papers to Homemade Papers	2	12
April	Policy Training on Air Emission Standards for the Printing Industry	2	6
May	Material Factory Machine Safety Operation Training	2	70
	Training for New Employees	2	1
July	Fire Drill	2	117
	Tipping Paper Factory Key Job Professional Skills Training	2	62
August	Tipping Paper Factory Machine Safety Operation Training	2	59
September	Quality Management Job Training	4	9
October	Quality Control Training for The Production Process in the Tipping Paper Factory	2	70
November	Equipment Management Training	2	5
December	Internal Auditor Training	4	4

Hongdong Treatment

During the Year, Hongdong Treatment provided a total of 40 (2023: 59) training sessions for its employees, with a total training time of 131 hours (2023: 136 hours).

2024						2023					
Employee category	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)	Employee category	Percentage	Average training hours (hours)	Gender	Percentage	Average training hours (hours)
Senior Management	17.50	0.86	Male	72.50	8.31	Senior Management	3.30	4.0	Male	74.58	10.4
Middle Management	42.50	11.29	Female	27.50	16.81	Middle Management	33.20	7.1	Female	25.42	19.8
Other Staff	40.00	14.25				Other Staff	63.50	15.99			
Total	100.00			100.00		Total	100.00			100.00	

During the Year, details of staff training activities in Hongdong Treatment are set out below:

Month	Training Program	Duration	Number of Participant
January	Shantou Municipal Science and Technology Statistics Business Training	2	2
March	Continuing Education for Safety Officers	12	2
April	Training on Fire Safety Knowledge	2	10
June	Quality Management Training	2	6
August	Pre-examination Training for Constructors	4	4
	Training on River Maintenance Skills	2	6
September	Internal Auditor Assessment Training	4	2
November	Continuing Education and Training for Accountants	60	4
December	Continuing Education and Training for Construction Engineers	45	2

B4: Labour standards

The Group strictly complies with the Labour Law (《勞動法》), Labour Contract Law (《勞動合同法》), Law on the Protection of Minors (《未成年人保護法》), Law on the Protection of Rights and Interests of Women (《婦女權益保護法》) and other relevant laws and regulations, and formulates relevant internal rules and regulations to protect the legitimate rights and interests of employees.

B4.1 Measures to review employment practices to avoid child and forced labour

The Group strictly complies with the Provisions on Prohibition of Child Labour (《禁止使用童工規定》) of the People's Republic of China and other laws and regulations relating to labour standards. Background check was conducted for every new employee during the recruitment process to ensure compliance with laws and regulations in Mainland China and Hong Kong and prevent the inadvertent recruitment of children.

The Group strictly enforces the following measures to avoid child and forced labour:

1. During the recruitment process, strictly examines the information of the applicants to ensure compliance with relevant laws and regulations and to avoid the misrecruitment of child labour.

2. During the recruitment process, strictly prohibits the use of coercion, threat, or deception to force applicants to sign involuntary contracts.

3. During the recruitment process, strictly prohibits withholding the applicant's documents and information.

4. During the recruitment process, strictly prohibits charging any recruitment fees from applicants.

5. During the working process, strictly prohibits making unlawful requests for work by means of deliberately creating difficulties, threatening, coercing, or physically punishing the applicant.

6. Tries the best to ensure that monthly wages are paid in full and on time to the employees, and the expenses incurred by the employees on official business are reimbursed as soon as possible.

During the Year, there were no material violations of laws and regulations relating to child and forced labour (2023: Nil).

B4.2 Steps taken to eliminate such practices when discovered

During the Year, there were no violations of child and forced labour (2023: Nil). If such a violation is found, the company will immediately organize manpower to conduct verification, properly deal with the relevant personnel, and strictly prevent the recurrence of such situation.

OPERATING PRACTICES

B5: Supply chain management

The Group stresses the importance to the mutually beneficial and long-term friendly partnership with suppliers. By designing a survey and assessment system for suppliers' admission, a list of qualified suppliers is established, and regular assessments on suppliers in terms of their supply capacity, product quality, service and integrity etc. is performed to ensure product quality. Suppliers shall be selected based on criterias such as product quality, pricing and delivery time, and priority will be given to suppliers with stable relationship. Furthermore, a standby supplier list of qualified suppliers is established for comparison of price, product quality and other aspects and preparedness for emergency procurement and supply.

B5.1 Number of suppliers

The breakdown of the main suppliers of Shantou Xinda and Hongdong Treatment are as follows:

	2024		2023	
Region	**Shantou Xinda (supplier)**	**Hongdong Treatment (supplier)**	Shantou Xinda (supplier)	Hongdong Treatment (supplier)
Guangdong	**9**	**8**	9	9
Zhejiang	**4**	**–**	4	–
Shanghai	**3**	**–**	3	–
Jiangsu	**5**	**–**	5	–
Heilongjiang	**1**	**–**	1	–
Shaanxi	**1**	**–**	1	–

B5.2 Management and monitoring of suppliers

Processes for supplier selection:

1. Assess suppliers' basic information, relevant qualification, business license, operation conditions and such other information;

2. Assess whether the standards of the raw material, products or services provided by the suppliers meet the purchase requirements of the company;

3. Review supplier's production qualification certificate, third party's quality inspection report, transportation permit and other related documents;

4. Evaluate suppliers' delivery time, payment terms, product/service prices, delivery cycle and other aspects; and

5. Select three or more suppliers for comparison, if possible, and choose the best.

Review of suppliers:

All major suppliers of the Group have met the Company's supplier selection criteria. They have been included in the Qualified Supplier List (《合格供應商名單》) and are subject to annual supervision and review by the Group. The content of the review includes, but is not limited to, whether the basic corporate information, product information, production technology and equipment information, service quality, operation and maintenance continue to meet the requirements as a qualified supplier of the Group. The supplier will be graded by the procurement department in conjunction with the user department as A (80-100 points), B (60-79 points) and C (0-59 points) during the review. Suppliers with a rating of A will be included in the Qualified Supplier List or be able to maintain their qualified supplier rating. For issues identified during the review, the review team will notify the relevant supplier in writing for rectification and make record accordingly, and if necessary, downgrade the supplier. If the supplier passes the review after rectification, the original rating will be maintained. If the same problem occurs 3 times in total in a year, the supplier will be deemed as unqualified supplier.

During the Year, all the major suppliers of the Group (2023: all) passed the review successfully.

B5.3 Practices used to identify environmental and social risks along the supply chain, and related implementation and monitoring methods

1. When selecting suppliers, priority is given to suppliers who have obtained certification under the Environmental Quality Standards System.

2. When selecting suppliers, Shantou Xinda will conduct factory inspections where available to ensure their production environment meets the requirements of relevant safety and other standards.

3. In the subcontracting of labour services, Hongdong Treatment gives priority to suppliers with labour dispatch qualifications, and requires labour units to submit workers' information, purchase accident insurance for workers, provide necessary protective equipment, prohibit the use of child labour, forbid work in poor environmental condition and forbid overtime work, and carries out regular inspections.

B5.4 Practices used to promote environmentally preferable products when selecting suppliers, and related implementation and monitoring methods

1. In day-to-day communications with suppliers, online communication shall be used and electronic signatures shall be adopted, if possible, to avoid additional transport emissions and paper waste.

2. Require suppliers to actively carry out green and environmental protection activities in both their procurement and production environments, and conduct inspections regularly.

3. In the selection of suppliers, suppliers are explicitly required to comply with relevant national laws, regulations and standards in the production, obtain the production certificates for their products, and possess the approval certificates and performance test reports issued by third-party quality inspection agencies to review whether their products fulfill the environmental protection requirements. Especially for hazardous chemicals, on top of the production certificates, product transport certificates are also required.

4. Shantou Xinda reuses the raw materials and product packages from supplier transactions as much as possible in order to reduce packaging consumption. In addition, agreements with suppliers are reached to recover packaging or defective products, in order to avoid waste of raw materials.

B6: Product responsibility

Being an enterprise with a strong sense of brand honour and corporate social responsibility, Shantou Xinda obtained the GB/T19001-2008 and ISO9001:2008 certifications for its quality management system. Internal control standards in line with national standards have been formulated for the products delivered by the company, and the products are regularly tested by qualified testing institutions. All production operators need to undergo technical training to master the technical requirements of the process, and operate only after they are qualified. During the production process, all production process control regulations shall be strictly implemented, including Process Control Procedure (《過程控制程序》), Product Identification and Product Traceability Control Procedure (《產品標識和產品可追溯性控制程序》), Control Process of Unqualified Product (《不合格品控制程序》), Raw Material, Semi-finished Products, Finished Products Protection Control Procedure (《原材料、半成品、成品防護控制程序》), Corrective and Preventive Action Control Procedure (《糾正和預防措施控制程序》), etc. In addition, subject to a well-established system designed for product batches traceability, every product can be traced to every stage of the whole production process to ensure the quality of the delivered goods. With reference to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the company's product quality is fully guaranteed from procurement of raw materials, production process to final product inspection and warehousing logistics. With regard to product quality assurance, the company always maintains the pursuit and enhancement of better, more comprehensive and more advanced technologies and methods. QR code technique has been adopted for traceability management of some of our products, which further improved the company's quality monitoring system. At the same time, the company is updating its online monitoring system to better control the quality of its products during the production process.

Hongdong Treatment, whose main business is to provide customers water environment restoration and treatment and integrated management services, and operation and management services of urban wastewater treatment facilities, obtained the GB/T 19001-2016/ISO 9001:2015 and GB/T 50430-2017 certifications for its quality management system. After winning the bidding of the project, the company enters into a project contract and a safety production agreement with the owner, specifying the quality standards and warranty coverage of the project, and strictly followed the standards in the contract. The staff of the project team shall go through three levels of safety training before entering the site, and they can only enter the site after the corresponding operational training. During the production process, the design and construction are carried out in strict accordance with the national engineering standards and norms, and at the same time, the company's internal procedures such as Control Procedures on Unqualified Products (《不合格品控制程序》), Correction and Prevention Control Procedures (《糾正和預防控制程序》), Engineering Requirements Assessment Control Procedures (《工程要求評審控制程序》) are implemented. During the period when the project yet to be completed and accepted, the company actively responds to the owner's suggestions for optimization, adjustment and correction within the scope of the contract, and properly implements the on-site protection of the constructed works, so as to ensure the project meets the standards of completion and acceptance. During the period of operation and maintenance of the project, the staff responsible for the operation and maintenance will carry out daily inspections on the projects under their charge, and carry out timely rectification when problems are found, so as to ensure the service quality of the projects under operation and maintenance meets the requirements of the customers.

B6.1 Percentage of the product subject to recalls for safety and health reasons

Shantou Xinda

During the Year, there was no sold or delivered products subject to recalls for safety and health reasons. (2023: Nil)

B6.2 Number of products and services related complaints received from enterprise production quality verification process and product return and responses thereof

During the Year, the Group had no complaints regarding its products and services. (2023: Nil)

Responses: Once a complaint is received, the relevant companies will organize manpower to investigate the situation immediately, and will go to the site in the first time and organize manpower to implement the inspection records, actively communicate and coordinate with the parties concerned to solve the problem, and take the corresponding measures.

B6.3 Practices relating to maintaining and protecting intellectual property rights

In order to protect the intellectual property rights of the Group, we have built various internal management systems such as the transformation of scientific and technological achievements and rewards for intellectual property rights, which has improved employees' awareness of innovation and provided a platform and guarantee for employees' research and development and intellectual achievements. In accordance with relevant laws and regulations of intellectual property rights, the Group actively applies for patents for the established intellectual achievements to ensure the core technologies of the Group are protected by law and enhance its competitiveness in the market. As of 31 December 2024, a total of 50 patents (31 December 2023: 45 patents) were granted to Shantou Xinda and 37 patents (31 December 2023: 29 patents) were granted to Hongdong Treatment.

B6.4 Production quality verification and product return process

Shantou Xinda

1. Products quality is monitored in the whole process of production, with ensuring real-time quality monitoring, raw materials, processing products, finished products are inspected in strict accordance with the Inspection Procedures (《檢驗規程》).

2. The quality control department is responsible for investigating complaints regarding quality problems, analysing the cause, formulating rectification plans, and tracking and giving feedback on the effectiveness of prevention. The quality control department will firstly investigate the cause of the complaint and trace the customer's goods, and fill in the Customer Complaint Handling Report (《顧客投訴處理報告》) after the incident is properly handled.

3. The marketing department is responsible for investigating, handling and rectifications feedback on customer complaints regarding after-sale services and product delivery. The marketing department is responsible for replying customers with the Customer Complaint Handling Report (《顧客投訴處理報告》) and forwarding the report to the relevant departments.

4. The technical centre is responsible for handling customer complaints regarding quality in collaboration with the quality management department, making improvements to technical issues, and giving feedback on the causes.

5. Products that have been approved to return are temporarily placed in a designated area after being returned, marked and isolated by the production workshops, which will notify the quality control department for re-inspection.

B6.5 Consumer data protection and privacy policy and related implementation and monitoring methods

1. Customer data is under unified management by the office for establishing customer data ledger.

2. Without approval, customer data shall not be copied or disseminated, taken away from the working area, or disclosed to the third-party manufacturers by any means.

3. In external communication and cooperation, the use of customer data by employees shall be subject to the review and approval of the department manager.

4. When an employee is redesignated from his/her current position or resigns, he/she shall return all customer data to the company without any backup.

B7: Anti-corruption (prevention of bribery, extortion, fraud and money laundering)

All employees of the Group must have an in-depth understanding of bribery, extortion, fraud, corruption and related behavior and consequences. In order to address and reduce the risk of corruption, the Group has formulated a set of guidelines in connection with offer and receipt of gifts, provision of meals, accommodation and entertainment, and engagement with government officials, whereby stating permitted and prohibited actions of our employees in their daily business activities. This ensures every employee is obliged to comply with applicable laws and regulations and to make ethical business decisions. To ensure all business transactions with government officials are conducted in a lawful and compliant manner, the Group has signed an integrity agreement with each employee, and violators will be dealt with severely.

B7.1 Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the Year and the outcomes of the cases

During the Year, there were no lawsuits against the Group in relation to corruption. The Group will continuously strive to achieve the target of no corruption complaints and no corruption litigations for each year.

B7.2 Preventive measures and whistle-blowing procedures and related implementation and monitoring methods

1. Formulate and promulgate Anti-fraud Policies and Procedures (《反舞弊政策和流程》) and set up anti-fraud mailbox and special line.

2. Enter into the Integrity Commitment and Staff Handbook with newly recruited employees. The whistle-blowing procedures are a reporting system, all employees have the right and obligation to report to their superior any corruption within the company. The office is responsible for the execution and supervision of the matter.

B7.3 Anti-corruption training provided to Directors and staff

In order to reduce the risk of corruption, the company specified the corresponding code of conduct and integrity requirements in the Staff Handbook (《員工手冊》), formulated corresponding guidelines on accepting & receiving gifts and engaging with suppliers, clarifying acceptable and unacceptable behaviors of the employees in life and work and the corresponding consequences, which ensures that every employee is obliged to comply with applicable laws and regulations and to make ethical business decisions, and also deepens their understanding in misconducts such as bribery, extortion, fraud and corruption and the relevant consequences.

COMMUNITY

B8：Community investment

The Group remains committed to community activities during its development, while encouraging its employees to actively participate in various volunteer and charitable activities.

B8.1/B8.2 Focus areas of contribution and resources contributed

In addition to its own environmental governance business, Hongdong Treatment actively cooperate with the owner’s emergency response to ensure the cleanliness of the river and its surrounding environment. Hongdong Treatment carried out labour subcontracting in its business to create more employment opportunities for labour subcontracting companies.

DIRECTORS' REPORT

The Directors submit herewith their annual report together with the audited consolidated financial statements of the Group for FY2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in Cigarette Packaging Business and Environmental Treatment Business in China. The principal activities and other particulars of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group and the analysis of the Group's performance during the Year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 5 to 9 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information about the environmental policies and performance of the Group for the Year is provided in the Environmental, Social and Governance Report on pages 24 to 49 of this annual report.

RESULTS

The Group's results for FY2024 and the Group's financial position as at 31 December 2024 are set out in the consolidated financial statements on pages 62 to 129 of this annual report.

RECOMMENDED DIVIDEND

The Board does not recommend the payment of final dividend for FY2024 (FY2023: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Wednesday, 25 June 2025 (the "**AGM**"). The register of members of the Company will be closed from Friday, 20 June 2025 to Wednesday, 25 June 2025, both days inclusive, for the purpose of identifying Shareholders who are entitled to attend the AGM, during which no transfer of Shares will be registered. In order to qualify for attending the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 19 June 2025.

MAJOR RISKS AND RISK MANAGEMENT

The following are the key risks that the Group considers to be of great significance to the Group in its current status. These risks may have adverse effect on the Group's business. The impact of risk relating to the business of the Group will change over time. The size, complexity and coverage of our business and the changing environment in which the Group operates also mean that the list cannot be an exhaustive list of all material risks that could affect the Group. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders.

Business Risk

The Group's business relies heavily in China and faces business risks include economic and political risks, social environment, corporate responsibility and sustainability risks. The Board meets regularly and reviews the investment and expansion strategies, business plan, financial results, and key performance indicators of the Group to ensure that the business risks are controlled and managed, and potential risks can be identified.

Financial Risk

The Group has adopted financial risk management policies to control the Group's financial risk exposure, such as taxation risks, currency risks and financial reporting risks. Also, the Board monitors the financial results and key operating statistics with the assistance of the Group's finance department on a regular periodic basis.

Compliance Risk

The Group has adopted internal procedures to monitor the Group's compliance risk to ensure that the Group's compliance with the laws and regulations in regions which the Group conducts business. In addition, the Group from time to time engages consulting firms and professional advisers to keep the Group updated with the latest development in the regulatory environments.

Credit Risk

None of the Group's trade receivables and other receivables has any collateral. The Group has adopted policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations to its customers.

Operational Risk

The Group has adopted procedures to manage its operational risk exposures, such as human resources risks and information technology (IT) governance risks. The Group monitors the overall employee turnover rate, degree of satisfaction, and IT system status on a monthly basis, and adopts countermeasures if any risk indicators arise.

The Group also faces other financial risks in the ordinary course of business, such as market risk, foreign exchange risk, cash flow and fair value interest rate risk, price risk and liquidity risk. Details of financial risk management are set out in note 3 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

As an entity incorporated in the Cayman Islands and listed in Hong Kong, the Company is mainly governed by the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the SFO, the Listing Rules on the corporate level. The Board has adopted the Model Code, and each of its committees has its own terms of reference defining their respective rights, duties and obligation. During the Year, to the best of the Directors' knowledge, there was no material breach of or non-compliance with applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and governments to meet its objectives and long-term goals. During the Year, there was no material or significant dispute between the Group and its employees, suppliers, customers or governments.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of this annual report. This summary does not form part of the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2024 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABILITY OF RESERVES

As at 31 December 2024, the aggregate amount of reserves available for distribution to equity Shareholders was HK$188,935,000 (31 December 2023: HK$189,175,000).

DONATIONS

There was no donation made by the Group during the Year (FY2023: approximately HK$340,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding of the Shares.

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 Year.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2024, the aggregate revenue attributable to the Group's five largest customers accounted for approximately 99% (FY2023: approximately 100%) and the largest customer accounted for approximately 53% (FY2023: approximately 51%) of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 45% (FY2023: approximately 44%) and the largest supplier accounted for approximately 13% (FY2023: approximately 14%) of the Group's total purchases.

At no time during the Year have the Directors, their associates or any Shareholders, who to the knowledge of the Directors own more than 5% of the issued share capital of the Company, had any interest in these major customers and suppliers.

CONNECTED AND RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Group during the Year as disclosed in the note 35 to the consolidated financial statements are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under rule 14A.76(1) of the Listing Rules or exempt under rule 14A.90 of the Listing Rules.

DIRECTORS

The Directors during the Year were:

Executive Directors
Mr. Zheng Andy Yi Sheng *(Chairman)*
Mr. Zheng Minsheng
Ms. Zheng Catherine Jia Lin (appointed on 20 December 2024)

Non-executive Director
Mr. Hao Jiming

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

Biographical details of the Directors are set out on pages 10 to 11 of this annual report.

Pursuant to article 112 of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Directors so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Pursuant to article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for transactions disclosed in note 35 to the consolidated financial statements or elsewhere in this annual report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party and in which a Director or an entity connected with a Director or a controlling Shareholders or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existing during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, to the best knowledge of the Directors, none of the Directors was considered to have any interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

The controlling Shareholders (as defined in the Listing Rules) have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 14 November 2013 (the "**Deed of Non-competition**").

The INEDs have reviewed the compliance with the Deed of Non-competition by the controlling Shareholders and confirmed that up to the date of this report, the Deed of Non-competition is fully complied with and duly enforced.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the Year. In addition, the Company has taken out and kept in force appropriate directors' and senior management's liabilities insurance coverage for the Directors and senior management of the Company.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The remuneration of Directors are performance-linked with reference to the business performance, market practices and competitive market conditions. Directors' remuneration packages and structure shall reflect a fair reward system with an emphasis on performance by taken into account the job responsibilities, individual performance and contributions, prevailing market conditions and the Company's remuneration policy and performance.

Particulars of the Directors' remuneration and five individuals with highest emoluments are set out in note 9 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

The Group participates in a state-managed retirement scheme operated by the PRC Government which covers the Group eligible employees in China and operates a Mandatory Provident Fund scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Group in Hong Kong. Details of the Group's retirement benefit schemes are set out in note 2.19 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE BY INEDS

Having taken into account the independence guidelines set out in rule 3.13 of the Listing Rules, the Company confirmed that all of the INEDs are considered independent.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company disclosed below, there was no equity-linked agreements entered into by the Company during the Year.

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.

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.

During the Year, there was no share option granted or exercised under the New Share Option Scheme.

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

As at 31 December 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 *(Note (ii))*
Mr. Zheng Andy Yi Sheng *(Note (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
Ms. Zheng Catherine Jia Lin	Beneficial owner Interest of spouse	22,400,000 6,000	22,406,000	3.19
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 31 December 2024.

Save as disclosed above, as at 31 December 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 31 December 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 interests	Number of ordinary Shares held	Percentage of the Company's issued share capital *(Note (iii))*
SXD Limited *(Note (i))*	Beneficially owned	450,000,000	64.15
Mr. Zheng Andy Yi Sheng *(Note (i))*	Interest in a controlled corporation	450,000,000	64.15
Ms. Chan Annie Ni *(Note (ii))*	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 31 December 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 31 December 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and as far as the Directors are aware, the Company has maintained at least 25% of public float as at the latest practicable date prior to the issue of this annual report.

AUDITORS

The consolidated financial statements for FY2024 were audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. There has been no change in auditors of the Company in any of the preceding three years.

On Behalf of the Board

Zheng Andy Yi Sheng
Chairman

Hong Kong, 31 March 2025

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Huaxi Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Huaxi Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 62 to 129, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The key audit matter identified in our audit is related to assessment of the expected credit losses of trade receivables and contract assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables and contract assets Refer to Note 4.2 for the critical accounting estimates and judgments involved, Note 3.1 for analysis of credit risk, Note 23 for the analysis of trade receivables and Note 6 for the analysis of contract assets. As at 31 December 2024, the Group had gross trade receivables of HK$202,485,000 and gross contract assets of HK$25,859,000 and provision for expected credit losses ("**ECL**") of trade receivables and contract assets of HK$58,884,000 and HK$6,675,000, respectively. Management applied HKFRS 9 by using the simplified approach to measure the lifetime ECL of trade receivables and contract assets. For trade receivables with remarkably different credit risk characteristics, management evaluated the distribution of expected cash flows under multiple scenarios based on current situations and forecasts of future conditions of contract counterparties, and made corresponding provision for ECL according to expected credit loss rate and the related probability weight under different scenarios. ECL was recognized on an individual basis. Other than trade receivables with remarkably different credit risk characteristics, trade receivables and contract assets have been grouped based on similar credit risk characteristics. Impairment provision of those trade receivables and contract assets was made on an collective basis based on an assessment of the risk of default and expected loss rates with reference to the credit rating of each customer group. Management also took into account forward-looking adjustments to expected credit losses. We focused on this area because management's assessment on the expected credit losses of trade receivables and contract assets involved significant management estimates and judgements.	We have performed the following procedures to address this key audit matter: a. We understood, evaluated and validated management's key controls in relation to the assessment of the expected credit losses of trade receivables and contract assets, including review on reasonableness of the key assumption and data involved in expected credit losses assessment. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity and changes; b. We evaluated the outcome of prior period assessment of the expected credit losses of trade receivables and contract assets by assessing the retrospective review performed by management, to assess the effectiveness of management's estimation process; c. With the support from our internal valuation experts, we assessed the appropriateness of customer group and the credit loss provisioning methodology adopted by management, assessed the reasonableness of the risk of default and expected loss rates by checking reasonableness of the assumptions and parameters used by management, assessed the appropriateness of the forward-looking adjustment made to the historical loss rates by considering our industry knowledge and macroeconomic information, and performed sensitivity analysis to address the estimation uncertainty related to the expected credit losses of trade receivables and contract assets. d. We checked the mathematical accuracy of the calculation of the allowance of expected credit losses. Based on the procedures performed, we considered that management's estimates and judgements applied in the assessment of the expected credit losses of trade receivables and contract assets were supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow Yam Kwok Damien.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Revenue	*6*	**143,768**	155,387
Cost of sales	*7*	**(136,393)**	(122,091)
Gross profit		**7,375**	33,296
Distribution costs	*7*	**(998)**	(926)
Administrative expenses	*7*	**(41,227)**	(45,810)
Net impairment losses on financial and contract assets	*8*	**(79,612)**	(17,861)
Other losses – net	*10*	**(5,156)**	(11,555)
Share of loss of an associate accounted for using the equity method		**(274)**	–
Operating loss		**(119,892)**	(42,856)
Finance (cost)/income – net	*11*	**(110)**	409
Loss before income tax		**(120,002)**	(42,447)
Income tax credit	*12*	**8,931**	816
Loss for the year		**(111,071)**	(41,631)
Loss attributable to:			
– Owners of the Company		**(110,765)**	(41,184)
– Non-controlling interests		**(306)**	(447)
		(111,071)	(41,631)
Other comprehensive loss			
Item that will not be reclassified to profit or loss:			
Currency translation differences on translation to presentation currency		**(6,524)**	(4,428)
Other comprehensive loss for the year, net of tax		**(6,524)**	(4,428)
Total comprehensive loss for the year		**(117,595)**	(46,059)
Total comprehensive loss attributable to:			
– Owners of the Company		**(117,433)**	(45,702)
– Non-controlling interests		**(162)**	(357)
		(117,595)	(46,059)
Losses per share attributable to owners of the Company for the year (expressed in HK cent per share)	*13*		
– Basic and diluted losses per share		**HK(15.79) cents**	HK(5.87) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2024 HK$'000	31 December 2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**51,357**	54,309
Right-of-use assets	*17(a)(i)*	**6,746**	7,366
Intangible assets	*19*	**17**	29
Deferred tax assets	*20*	**10,427**	11,577
Investment properties	*18*	**14,172**	15,223
Prepayments for non-current assets	*21*	**–**	26,795
Other non-current assets	*24*	**–**	31,757
		82,719	147,056
Current assets			
Inventories	*22*	**24,245**	28,543
Contract assets	*6(a)*	**19,184**	46,062
Trade receivables	*23*	**143,601**	174,927
Prepayments and other receivables	*24*	**4,594**	4,907
Financial assets at fair value through profit or loss	*25*	**13,161**	40,872
Restricted cash at banks	*26*	**37,548**	33,790
Cash and cash equivalents	*27*	**25,826**	12,341
		268,159	341,442
Total assets		**350,878**	488,498

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2024 HK$'000	31 December 2023 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*28*	**3,508**	3,508
Other reserves	*29*	**212,690**	219,157
(Accumulated losses)/retained earnings		**(11,844)**	99,122
		204,354	321,787
Non-controlling interests		**(6,748)**	(6,586)
Total equity		**197,606**	315,201
LIABILITIES			
Non-current liabilities			
Lease liabilities	*17(a)(ii)*	**606**	1,162
Deferred tax liabilities	*20*	**4,914**	5,350
		5,520	6,512
Current liabilities			
Trade and notes payables	*30*	**109,265**	106,262
Contract liabilities	*6(a)*	**2,427**	–
Lease liabilities	*17(a)(ii)*	**2,306**	1,962
Other payables and accruals	*32*	**20,970**	21,243
Current income tax liabilities		**2,524**	14,696
Borrowings	*31*	**10,260**	22,622
		147,752	166,785
Total liabilities		**153,272**	173,297
Total equity and liabilities		**350,878**	488,498

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

The consolidated financial statements on pages 62 to 129 were approved by the Board on 31 March 2025 and were signed on its behalf.

Zheng Andy Yi Sheng
Director

Zheng Minsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital HK$'000 *(Note 28)*	**Other reserves** HK$'000 *(Note 29)*	**(Accumulated losses)/ retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
Year ended 31 December 2023						
Balance at 1 January 2023	3,508	223,675	140,306	367,489	(6,229)	361,260
Comprehensive (loss)/income						
– Loss for the year	–	–	(41,184)	(41,184)	(447)	(41,631)
– Other comprehensive (loss)/income	–	(4,518)	–	(4,518)	90	(4,428)
Total comprehensive loss	–	(4,518)	(41,184)	(45,702)	(357)	(46,059)
Balance at 31 December 2023	3,508	219,157	99,122	321,787	(6,586)	315,201
Year ended 31 December 2024						
Balance at 1 January 2024	**3,508**	**219,157**	**99,122**	**321,787**	**(6,586)**	**315,201**
Comprehensive (loss)/income						
– Loss for the year	**–**	**–**	**(110,765)**	**(110,765)**	**(306)**	**(111,071)**
– Other comprehensive (loss)/income	**–**	**(6,668)**	**–**	**(6,668)**	**144**	**(6,524)**
– Other transfer	**–**	**201**	**(201)**	**–**	**–**	**–**
Total comprehensive loss	**–**	**(6,467)**	**(110,966)**	**(117,433)**	**(162)**	**(117,595)**
Balance at 31 December 2024	**3,508**	**212,690**	**(11,844)**	**204,354**	**(6,748)**	**197,606**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Cash generated from operating activities	*33(a)*	**19,687**	10,763
PRC enterprise income tax paid		**(2,494)**	(5,270)
Net cash generated from operating activities		**17,193**	5,493
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,887)**	(7,813)
Prepayments for non-current assets		**(342)**	(2,401)
Disposal of property, plant and equipment		**560**	1,211
Purchase of investment properties		**–**	(1,060)
Investment in an associate		**(274)**	–
(Increase)/decrease in restricted cash at banks		**(3,758)**	9,609
Loan to a related party		**(22)**	(32,493)
Loans to third parties		**(4,070)**	(6,443)
Repayments of loans from third parties		**823**	–
Purchase of financial assets at fair value through profit or loss		**(8,815)**	–
Net proceeds from disposal of financial assets at fair value through profit or loss		**31,271**	492
Interest income from other financial assets		**56**	445
Interest income from bank deposits		**542**	864
Net cash generated from/(used in) investing activities		**12,084**	(37,589)
Cash flows from financing activities			
Proceeds from borrowings		**10,420**	27,754
Repayment of borrowings		**(22,485)**	(27,198)
Interest paid		**(635)**	(844)
Principal elements of lease payments		**(1,757)**	(1,809)
Interests elements of lease payments		**(73)**	(56)
Net cash used in financing activities		**(14,530)**	(2,153)
Net increase/(decrease) in cash and cash equivalents		**14,747**	(34,249)
Cash and cash equivalents at beginning of the year		**12,341**	47,270
Effect of change in exchange rate		**(1,262)**	(680)
Cash and cash equivalents at end of the year	*27*	**25,826**	12,341

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman 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 ultimate parent company of the Company is SXD Limited, which was incorporated in the British Virgin Islands.

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

These consolidated financial statements are presented in thousands of HK$ unless otherwise stated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the year presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance (Cap.622) ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and the disclosure requirements of HKCO.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("**FVPL**"), which are carried at fair value.

(c) New and amended standards adopted by the Group for the year ended 31 December 2024

The Group has applied the following standards and amendments for the first time for its reporting period commencing 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a 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 amendments 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for reporting periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation *(continued)*

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation *(continued)*

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.3 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is RMB, as its operations are mainly carried out in the PRC. The consolidated financial statements are presented in HK$, which is the Group's and the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statement of comprehensive income within "Other (losses)/gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the periods in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Plant and buildings	5-20 years
• Leasehold improvements	5 years
• Machinery	3-10 years
• Office equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Administrative expenses" in the consolidated statement of comprehensive income.

Construction in progress are stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to appropriate categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Investment properties

Investment properties, principally leasehold office buildings, are held to earn rentals or for capital appreciation or both.

Investment property is recognised only when it is probable that economic benefits associated with the property will flow to the Group and the cost of the property can be reliably measured.

Investment properties are initially and subsequently measured using the cost method. Depreciation is calculated using the straight-line method.

• Office	20 years

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets

(a) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 years.

(b) License

Acquired license is capitalised on the basis of costs incurred to acquire and are amortised over its estimated useful live of 3 years.

(c) Patent and technology

Patent and technology that the Group acquired are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent and technology over their estimated useful lives of 3 years.

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other (losses)/gains – net" (if any), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income. Debt instruments are presented as "Trade receivables", "Other receivables", "Cash and cash equivalents" and "Restricted cash" in the consolidated statements of financial position.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other (losses)/gains – net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at banks. Bank deposits which are restricted to use are included in "Restricted cash at banks". Restricted cash at banks are excluded from cash and cash equivalents.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The monthly contributions of each of the group company and its employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

Under the defined contribution retirement schemes participated in by the Group, no forfeited contributions for such schemes may be used by the employer to reduce the existing level of contributions, as the contributions are fully vested to the employees upon payment to such schemes.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.20 Share-based payments

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable of the goods or services transferred in the ordinary course of the Group’s activities.

If contracts involve the sale of multiple elements, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on the expected cost plus a margin or adjusted market assessment approach depending on the availability of observable information.

Revenue is recognised when or as the control of the asset under construction is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15 to assess whether the Group controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. Such determination involves judgment and is based on an evaluation of the terms of each arrangement.

The Group accounts for the contract modification as follows:

(i) In cases where the additional promised goods or services are distinct and the price of the contract increases by an amount of consideration that reflects the stand-alone selling prices of the additional promised goods or services, the Group should account for the contract modification as a separate contract.

(ii) If the above criteria are not met, and the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification, the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract.

(iii) If the above criteria are not met, and the remaining goods or services are not distinct from the goods or services transferred on or before the date of the contract modification, the Group accounts for the contract modification as if it were a part of the existing contract. The effect that the contract modification has on revenue is recognised as an adjustment to revenue in the reporting period.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Rendering of agency services

The Group recognises revenue from agency services for purchase of goods on behalf of customers when the suppliers have delivered products to the customer, the customers have accepted the products and collectability of the related receivables is reasonably assured.

(c) Rendering of construction services for environmental and ecological restoration treatment business

The Group provides environmental and ecological restoration treatment construction services to its customers.

The Group has to identify the performance obligation in a contract. A performance obligation is a promise in a contract to transfer a good or service to a customer. The Group assessed that the construction contract only contained a single performance obligation as the construction works are not possible to be separately distinct.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(c) Rendering of construction services for environmental and ecological restoration treatment business *(continued)*

When determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group performance and whether the delayed payment is for finance purpose. The period between the transfer of the promised services and payments by customers may exceed one year. Management consider that there is no significant financing component for these receivables, as such payment term is an industry practice and within normal operating cycle. As a consequence, the Group does not adjust any of the transaction price for the time value of money.

The Group recognises revenue from a contract work progressively over time using the input method, which is based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group suffering contractual penalties or liquidated damages for late completion are taken into account in making these estimates where applicable, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The liquidated damages are treated as variable consideration under HKFRS 15 and the amounts are included in revenue to the extent that it is highly probable that contract revenue will not be reversed. Management takes into account the progress of contract works and other external factors in assessing whether there will be contractual penalties or liquidated damages for late completion, which would in turn impact the amount of revenue to be recognised in an accounting period. There are no other obligations for warranty or refunds other than those warranties which provide customers with assurance that the related contract work will function as parties intended.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, the expected loss is recognised as an expense immediately.

Progress billings are billed and recognised as trade receivables in accordance with the terms agreed between the Group and its customers. A contract asset is recognised in the consolidated statement of financial position when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed under expected credit losses model and are reclassified to receivables when the right to the consideration has become unconditional (that is, when payment is due only on the passage of time). A contract liability is recognised in the consolidated statement of financial position when the customer pays consideration before the Group recognises the corresponding revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Retention sum for contract works are settled in accordance with the terms of the respective contracts.

(d) Rendering of other services

Revenue from maintenance services is recognised over time when the service is rendered. Revenue from design and consulting services is recognised at a point in time when deliverables are accepted.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.22 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

2.23 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example, term, country, currency and security.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipments and office buildings.

Payments made for land-use rights under operating lease are recognised as right-of-use asset and is expensed in profit or loss on a straight-line basis over the period of the right of 50 years.

2.25 Interest Income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

2.26 Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 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.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the Company and its operating subsidiaries in the PRC. Certain transactions are settled in HK$ and US$. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities was as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Denominated in HK$		
– Financial assets at FVPL	**1,236**	6,787
– Cash and cash equivalents	**515**	768
– Other receivables	**835**	370
– Other payables and accruals	**(488)**	(3,637)
	2,098	4,288
Denominated in US$		
– Cash and cash equivalents	**77**	–

As at 31 December 2024, if RMB strengthened/weakened by 5% (31 December 2023: 5%) against the relevant foreign currencies with all other variables held constant, post-tax profit for the year ended 31 December 2024 would have been approximately HK$88,000 (2023: HK$152,000) lower/higher.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from deposits and restricted cash held in banks with variable rates, which expose the Group to cash flow interest rate risk. Borrowings with fixed rates and carried at amortised cost do not expose the Group to cash flow or fair value interest rate risk.

As at 31 December 2024, if the market interest rates had been 50 basis points (31 December 2023: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year ended 31 December 2024 would have been HK$269,000 (2023: HK$197,000) higher/lower, mainly as a result of higher/lower interest income on deposits and restricted cash held in banks.

(iii) Price risk

The group's exposure to equity securities price risk arises from listed securities investments held by the group and classified in the consolidated statement of financial position at fair value through profit or loss (note 25). To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

As at 31 December 2024, if the price of the listed securities increased/decreased by 10% (31 December 2023: 10%) with all other variables being held constant, post-tax profit for the year ended 31 December 2024 would have increased/decreased by HK$1,115,000 (2023: HK$3,355,000).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) 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 31 December 2024, substantially all (31 December 2023: same) of 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 2023: same).

As at 31 December 2024, approximately 75.2% (31 December 2023: 73.9%) 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, such as actual or expected significant adverse changes in business, and financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

(ii) Impairment of financial assets

The Group has three types of assets that are subject to the expected credit loss model:

- Trade receivables;
- Contract assets; and
- Other financial assets at amortised costs

Trade receivables and contract assets

The Group applies HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance of its trade receivables and contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets (continued)

In estimating the expected credit losses, credit evaluation on individual customer is performed by management. The evaluation focused on assessing the size and background of each customer as well as pertaining to the current and future economic environment in which the customer operates. Management estimates the expected credit loss rate of each customer by performing quantitative assessment on the customer's credit rating and applies default probability and loss rates taking into account the life of trade receivables and contract assets and forward-looking information. For forward-looking information, management has identified Gross Domestic Product (GDP) and Consumer Price Index (CPI) in the PRC as the most relevant factors, and accordingly, has adjusted the expected loss rate based on these factors. The values of the core macroeconomic factors used to evaluate expected credit losses on 31 December 2024 are as follows:

Item	Range
GDP Annual Percentage Change	4%~5%
CPI month on month	1%~1.2%

For trade receivables that do not share same risk characteristics with others, management assesses their expected credit losses on an individual basis. The Group evaluated the distribution of expected cash flows under multiple scenarios based on current situations and forecasts of future conditions of contract counterparties under different situations, made corresponding provision for expected credit losses according to expected credit losses rate and the related probability weight under different scenarios, and prepared sensitivity analysis using reasonably possible changes of the relevant key parameters. As at 31 December 2024, trade receivables amounting to HK$99,748,000 (31 December 2023: HK$43,882,000) was assessed on an individual basis and the Group recognised loss allowance provision of HK$60,787,000 (31 December 2023: HK$41,123,000) for these trade receivables. Expect for that, trade receivables and contract assets are subject to provision for loss allowance on an collective basis.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on similar credit risk characteristics.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets (continued)

On that basis, the allowance for impairment as at 31 December 2024 was determined as follows for trade receivables and contract assets:

	31 December 2024			31 December 2023		
	Gross carrying amount HK$'000	Loss allowance HK$'000	Expected loss rates	Gross carrying amount HK$'000	Loss allowance HK$'000	Expected loss rates
Individual:						
Customer A	26,997	(26,997)	100.00%	27,587	(24,828)	90.00%
Customer B	15,211	(15,211)	100.00%	16,096	(16,096)	100.00%
Customer C	55,608	(16,682)	30.00%	–	–	–
Others	1,932	(1,897)	98.19%	199	(199)	100.00%
	99,748	(60,787)		43,882	(41,123)	
Collective:						
Environmental Treatment Business	104,361	(4,760)	0.074% – 4.614%	179,777	(152)	0.064% – 0.185%
Cigarette Packaging Business	24,159	(11)	0.046%	34,066	(10)	0.029%
Others	76	(1)	1.316%	4,551	(2)	0.030% – 0.185%
	128,596	(4,772)		218,394	(164)	
Total	228,344	(65,559)		262,276	(41,287)	

The movement of allowance for impairment of trade receivables was as follows:

	Year ended 31 December	
	2024 HK$'000	2023 HK$'000
At beginning of the year	41,244	30,849
Net impairment charges *(note 8)*	18,995	10,904
Write off	(181)	–
Currency translation differences	(1,174)	(509)
At end of the year	58,884	41,244

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets (continued)

The movement of allowance for impairment of contract assets was as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
At beginning of the year	**43**	50
Net impairment charges/(reversal) *(note 8)*	**6,737**	(6)
Currency translation differences	**(105)**	(1)
At end of the year	**6,675**	43

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and other non-current assets (excluding prepayments and prepaid value added taxes). Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk.

As of 31 December 2024, some other receivables were non-performing, and the Group had individually assessed that the expected loss rates were 100% as the counterparties were experiencing significant financial difficulties or having commercial disputes with the Group's subsidiaries (note 24(a), note 24(b) and note 24(c)). Expect for that, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

The movement in allowance for impairment of other receivables and other non-current assets was as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
At beginning of the year	**11,498**	4,647
Impairment charges *(note 8)*	**53,880**	6,963
Write off	**(11)**	–
Currency translation differences	**(1,078)**	(112)
At end of the year	**64,289**	11,498

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Other financial assets at amortised cost (continued)

Trade receivables, contract assets, other receivables and other non-current assets are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited into profit or loss.

Impairment on trade receivables, contract assets, other receivables and other non-current assets are presented as separate item in the consolidated statement of comprehensive income.

While cash and cash equivalents and restricted cash at banks are also subject to the impairment requirement of HKFRS 9, the identified impairment losses were immaterial.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations.

The table below sets out the Group's financial liabilities by relevant maturity grouping at the end of the reporting period. Those due within 12 months equal their carrying balances, as the impact of discounting is not significant. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	Total HK$'000
As at 31 December 2024				
Trade and notes payables	109,265	–	–	109,265
Borrowings	10,260	–	–	10,260
Lease liabilities	2,387	490	154	3,031
Other payables and accruals*	6,684	–	–	6,684
	128,596	490	154	129,240
As at 31 December 2023				
Trade and notes payables	106,262	–	–	106,262
Borrowings	22,622	–	–	22,622
Lease liabilities	2,001	1,232	–	3,233
Other payables and accruals*	6,367	–	–	6,367
	137,252	1,232	–	138,484

* Excluding other tax payables and accrual for staff costs and allowances

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as borrowings plus lease liabilities less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the financial statements plus net borrowings.

No gearing ratio was presented as the Group had net cash surplus as at 31 December 2024. The gearing ratio is 4.08% as at 31 December 2023.

3.3 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 the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 HK$'000
Financial assets at FVPL – listed securities	
At 31 December 2024	**13,161**
At 31 December 2023	40,872

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 ask 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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.

3.4 Fair value of financial assets and liabilities measured at amortised cost

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, borrowings and other payables and accruals approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Recognition of revenue from construction services for environmental and ecological restoration treatment business

The Group recognises the revenue over time based on the percentage of completion, using input methods in accordance with HKFRS 15. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. In addition, management also takes into account other external factors in assessing the timing and cost required to complete the projects, which may in turn impact the amount of revenue to be recognised in an accounting period. The Group reviews and revises the estimates of contract revenue, budget costs and variation orders, if any, for each construction contract as the contract progresses.

4.2 Estimated impairment of financial assets at amortised cost and contract assets

Expected credit losses are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current and future conditions on the ability of the Group's customers to repay the debts.

For trade receivables that do not share same risk characteristics with others, the Group assesses their expected credit losses on an individual basis. The Group evaluated the distribution of expected cash flows under multiple scenarios, made corresponding provision for expected credit losses according to expected credit losses rate and the related probability weight under different scenarios. Except for that, trade receivables and contract assets are subject to provision for loss allowance on an collective basis. The Group has derived the expected loss rate by referencing to credit rating analysis and external default data to determine the probability of default of its financial assets at amortised cost and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

For details of the key assumptions and inputs used, see Note 3.1(b)(ii) above.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.3 Estimated impairment of non-current assets

Non-current assets including property, plant and equipment, intangible assets, right-of-use assets, investment properties and prepayments for non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable on the future operations and cash flows of the Group. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing:

- whether an event has occurred that may indicate that the related asset values may not be recoverable;

- whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and

- the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4.4 Estimated impairment of inventories

The Group estimates the net realisable value of inventories. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. Even if the Group has made stock provision for the expected impairment at its best estimate, there is a possibility that changes in market conditions will alter the result.

4.5 Income taxes and deferred taxation

The Group is primarily subject to income taxes in the PRC and Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the CODM. The 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 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.

(a) The segment results and other segment items of the Group for the year ended 31 December 2024 were as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Unallocated HK$'000	The Group HK$'000
Revenue	132,636	11,025	107	143,768
Segment results	6,618	(41,836)	107	(35,111)
Net impairment losses on financial and contract assets	(1,708)	(23,862)	(54,042)	(79,612)
Other losses arising from financial assets at FVPL				(4,895)
Share of loss of an associate accounted for using the equity method				(274)
Operating loss				(119,892)
Finance cost – net				(110)
Loss before income tax				(120,002)
Income tax credit				8,931
Loss for the year				(111,071)
Other segment item				
Depreciation and amortisation	7,591	1,676	–	9,267

5 SEGMENT INFORMATION *(continued)*

(a) *(continued)*

The segment results and other segment items of the Group for the year ended 31 December 2023 were as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Unallocated HK$'000	The Group HK$'000
Revenue	154,875	255	257	155,387
Segment results	13,215	(28,175)	257	(14,703)
Net impairment losses on financial and contract assets	(17,394)	57	(524)	(17,861)
Other losses arising from financial assets at FVPL				(10,292)
Operating loss				(42,856)
Finance income – net				409
Loss before income tax				(42,447)
Income tax credit				816
Loss for the year				(41,631)
Other segment item				
Depreciation and amortisation	7,770	3,150	–	10,920

5 SEGMENT INFORMATION *(continued)*

(b) The segment assets and liabilities at 31 December 2024 were as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Unallocated HK$'000	Inter-segment elimination HK$'000	The Group HK$'000
Segment assets	367,351	141,926	77	(196,236)	313,118
Investment properties					14,172
Financial assets at FVPL					13,161
Deferred tax assets					10,427
Total assets					350,878
Segment liabilities	74,648	267,422	–	(196,236)	145,834
Current income tax liabilities					2,524
Deferred tax liabilities					4,914
Total liabilities					153,272
Capital expenditures	4,220	1,595	–	–	5,815

The segment assets and liabilities at 31 December 2023 were as follows:

	Cigarette Packaging Business HK$'000	Environmental Treatment Business HK$'000	Unallocated HK$'000	Inter-segment elimination HK$'000	The Group HK$'000
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
Total assets					488,498
Segment liabilities	90,870	253,153	–	(190,772)	153,251
Current income tax liabilities					14,696
Deferred tax liabilities					5,350
Total liabilities					173,297
Capital expenditures	12,417	2,780	–	–	15,197

6 REVENUE

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
At a point in time		
– Sales of cigarette packaging products	**132,636**	154,875
– Agency services	**107**	257
	132,743	155,132
Over time		
Revenue from environmental and ecological restoration contracts		
– Construction services	**6,131**	(4,200)
– Maintenance and other services	**4,894**	4,455
	11,025	255
	143,768	155,387

Reversal of revenue from construction services for 2023 was mainly due to the increase of unpredictable costs for environmental and ecological restoration contracts.

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

	Year ended 31 December	
	2024	2023
Customer D	**52.9%**	47.9%
Customer E	**37.6%**	51.4%

Majority of the Group's revenue were derived from customers in the PRC for the year ended 31 December 2024 (2023: same).

6 REVENUE *(continued)*

(a) Assets and liabilities related to contracts with customers

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

	31 December 2024 HK$'000	31 December 2023 HK$'000
Contract assets relating to construction contracts	25,859	46,105
Less: loss allowance	(6,675)	(43)
Total contract assets	19,184	46,062
Contract liabilities – construction services	2,427	–

(ii) Unsatisfied contracts

The Group's contracts of sales of cigarette packaging products, rendering of agency services, design and consulting services and construction 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.

7 EXPENSES BY NATURE

	Year ended 31 December 2024 HK$'000	2023 HK$'000
Raw materials consumed and subcontracting costs for construction contracts	**13,331**	12,142
Cost of inventories sold	**75,361**	86,858
Cost of obtaining contracts recognised in cost of sales	**24,954**	–
Staff costs (including directors' emoluments) *(Note 9)*	**36,400**	37,993
Depreciation and amortisation		
– Depreciation of property, plant and equipment *(Note 16)*	**6,437**	8,137
– Depreciation of Investment properties *(Note 18)*	**737**	852
– Depreciation of right-of-use assets *(Note 17)*	**2,082**	1,927
– Amortisation of intangible assets *(Note 19)*	**11**	4
Utilities	**2,559**	3,008
Professional services expenses	**4,376**	4,517
Auditor's remuneration		
– Audit services	**2,313**	1,701
– Non-audit services	**132**	133
Other taxes and surcharges	**1,435**	1,608
Expenses relating to operating leases not recognised as lease liabilities *(Note 17)*	**15**	10
Delivery costs	**1,341**	1,374
Other expenses	**7,134**	8,563
Total cost of sales, distribution costs and administrative expenses	**178,618**	168,827

8 NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	Year ended 31 December 2024 HK$'000	2023 HK$'000
Impairment charges/(reversal) on:		
– Trade receivables	**18,995**	10,904
– Contract assets	**6,737**	(6)
– Other receivables and other non-current assets	**53,880**	6,963
	79,612	17,861

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2024 HK$'000	2023 HK$'000
Salaries, wages, bonuses, welfare and other benefits	33,987	35,180
Contributions to pension plans	2,413	2,813
	36,400	37,993

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2024 was set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Employer's contribution to pension plans HK$'000	Total HK$'000
Year ended 31 December 2024				
Executive directors:				
Mr. Zheng Andy Yi Sheng (i)	500	122	12	634
Mr. Zheng Minsheng	400	439	–	839
Ms. Zheng Catherine Jia Lin (ii)	–	18	1	19
Non-executive director:				
Mr. Hao Jiming	120	–	–	120
Independent non-executive directors:				
Mr. Lau Kwok Hung	120	–	–	120
Mr. Fok Po Tin	120	–	–	120
Mr. Cai Xiaowen	120	–	–	120
	1,380	579	13	1,972

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of each director for the year ended 31 December 2023 was set out below:

	Fees HK$'000	Salaries and allowances HK$'000	Employer's contribution to pension plans HK$'000	Total HK$'000
Year ended 31 December 2023				
Executive directors:				
Mr. Zheng Andy Yi Sheng (i)	500	116	11	627
Mr. Zheng Minsheng	400	503	9	912
Non-executive director:				
Mr. Hao Jiming	120	–	–	120
Independent non-executive directors:				
Mr. Lau Kwok Hung	120	–	–	120
Mr. Fok Po Tin	120	–	–	120
Mr. Cai Xiaowen	120	–	–	120
	1,380	619	20	2,019

(i) Mr. Zheng Andy Yi Sheng is the CEO of the Group.

(ii) Ms. Zheng Catherine Jia Lin has been appointed as an executive director of the Group with effect from 20 December 2024.

(b) Benefits and interests of directors

During the year ended 31 December 2024, none of the directors waived or agreed to waive any emoluments (2023: same) and no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2023: same).

For the year ended 31 December 2024, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor were any payable (2023: same). No consideration was provided to or receivable by third parties for making available directors' services (2023: same). There were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for the year ended 31 December 2024 (2023: same).

No directors and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year ended 31 December 2024 or at any time during the year (2023: same).

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2024 included two directors (2023: one director) whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining three (2023: four) individuals during the year were as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,078**	3,219
Contributions to pension schemes	**60**	57
	2,138	3,276

The emoluments of these remaining individuals fell within the following bands:

	Year ended 31 December	
	2024	2023
Emolument bands		
Nil to HK$1,000,000	**3**	4

(d) Senior management's emoluments by band

The senior management's emoluments excluding the directors and the five highest paid individuals fell within the following bands:

	Year ended 31 December	
	2024	2023
Emolument bands		
Nil to HK$1,000,000	**3**	4

10 OTHER LOSSES – NET

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Foreign exchange gains	**1,585**	19
Dividend income from financial assets at FVPL	**727**	478
Losses from financial assets at FVPL	**(5,622)**	(10,770)
Loss on disposal of property, plant and equipment	**(1,846)**	(1,363)
Gain on disposal of subsidiary (a)	**–**	81
	(5,156)	(11,555)

(a) 48% of the equity interest in an indirect wholly-owned subsidiary of the Company was disposed on 17 November 2023. The disposed subsidiary, Shengshi Heng Rui (Guangdong) Technology Company Limited* ("**Shengshi Heng Rui**") was established in the PRC on 5 September 2023 with limited liability and an infinite operating period, and principally engaged in the research and development and sale of technological products. The Group remains to have 52% equity interest in Shengshi Heng Rui and accounted for it as an associate of the Group since the Group ceased to have control but has significant influence over it. Registered capital of Shengshi Heng Rui amounting to RMB39,750,000 is yet to be paid up as at 31 December 2024.

11 FINANCE INCOME – NET

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	**542**	864
Interest income from other financial assets (a)	**56**	445
	598	1,309
Finance cost		
Interest expenses on borrowings	**(635)**	(844)
Interest expenses on lease liabilities *(Note 17)*	**(73)**	(56)
	(708)	(900)
	(110)	409

(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 31 December 2024, all these financial assets were matured (31 December 2023: same).

12 INCOME TAX CREDIT

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 a rate of 16.5% (2023: 16.5%) on the assessable profits arising in Hong Kong, 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% (2023: 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 assess and consider that Shantou Xinda will continue to be granted the preferential tax treatment through an application of renewal. Accordingly, tax rate of 15% has been applied when considering current income tax for the period and the deferred income tax.

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 fulfilled the aforesaid conditions.

	Year ended 31 December	
	2024 **HK$'000**	2023 HK$'000
Current income tax		
PRC enterprise income tax	**(9,768)**	2,598
Deferred income tax		
PRC enterprise income tax	**917**	(1,878)
Reversal of withholding income tax on profits to be distributed from subsidiaries in the PRC	**(80)**	(1,536)
	837	(3,414)
	(8,931)	(816)

There were no income tax charges relating to components of other comprehensive income for the year ended 31 December 2024 (2023: same).

12 INCOME TAX CREDIT *(continued)*

The tax on the Group's loss before income tax differed from the theoretical amount that would arise using the tax rate applicable to profits/(losses) of the consolidated entities as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Loss before income tax	**120,002**	42,447
Tax calculated at applicable income tax rate of the respective companies	**(30,243)**	(9,090)
Tax effect of:		
– Net of expenses not deductible for income tax and income not subject to tax	**1,682**	2,370
– Additional deduction on research and development expenses	**(1,212)**	(1,692)
– Tax losses and temporary differences for which no deferred income tax asset was recognised	**20,922**	9,132
– Reversal of withholding income tax on profits to be distributed from subsidiaries in the PRC	**(80)**	(1,536)
	(8,931)	(816)

13 LOSSES PER SHARE

(a) Basic

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

	Year ended 31 December	
	2024	2023
Loss attributable to owners of the Company (HK$'000)	**(110,765)**	(41,184)
Weighted average number of ordinary shares in issue	**701,430,000**	701,430,000
Basic losses per share	**HK(15.79) cents**	HK(5.87) 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 dilutive shares outstanding as at 31 December 2024 and 2023.

14 DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

15 SUBSIDIARIES

Details of the subsidiaries at 31 December 2024 were set out below:

Name	Date of incorporation	Place of operation/ establishment	Nominal value of issued share capital or registered capital	Principal activities	Attributable equity interest to the owners of the Company	
					2024	2023
Esteem Joy Limited	13 April 2015	British Virgin Islands	US$1	Investment holding	100%	100%
Xinda Capital Limited	21 May 2013	British Virgin Islands	US$50,000	Investment holding	100%	100%
China Environmental Holdings Limited	26 October 2016	Hong Kong	HK$1	Investment holding	100%	100%
Xin Da (Hong Kong) Investment Trading Company Limited	13 June 2013	Hong Kong	HK$1	Investment holding	100%	100%
Hua Xin Finance Limited	15 May 2019	Hong Kong	HK$100	Not yet commenced formal operations	100%	100%
Xin Da High-tech Investments Limited	31 October 2019	Hong Kong	HK$100	Investment holding	100%	100%
Shantou Xinda (a)	14 May 1992	PRC	HK$35,000,000	Design, printing and sale of cigarette packages	100%	100%
Huge East Investment Limited	30 May 2016	Hong Kong	HK$1	Investment holding	100%	100%
Hongdong Treatment (b)	21 July 2016	PRC	HK$150,000,000 (h)	Environmental protection construction works	100%	100%
Guangdong Xinda Detection Technology Company Limited* ("**Xinda Detection**") (c)	26 November 2019	PRC	HK$35,000,000 (i)	Not yet commenced formal operations	100%	100%
Chongqing Hong Yuan Zhong Environmental Engineering Company Limited* ("**Chongqing Hong Yuan Zhong**") (d)	23 September 2021	PRC	RMB100,000,000 (j)	Not yet commenced formal operations	100.00%	95.05%
Huazhang Investments Company Limited	13 November 2014	Hong Kong	HK$17,542,125	Investment holding	51%	51%
Huazhang Biological Technology (Shanghai) Co., Ltd.* ("**Huazhang Shanghai**") (e)	17 December 2014	PRC	RMB13,000,000	Biological technology research and related products trading	51%	51%

15 SUBSIDIARIES *(continued)*

Name	Date of incorporation	Place of operation/ establishment	Nominal value of issued share capital or registered capital	Principal activities	Attributable equity interest to the owners of the Company	
					2024	2023
Heihe Huazhang Agricultural Science and Technology Development Co., Ltd.* ("**Huazhang Heihe**") (f)	14 January 2015	PRC	RMB10,000,000	Agricultural science and technology related service	**N/A**	51%
Guangdong Foxin Environmental Management Co., Ltd.* ("**GD Foxin**") (g)	15 July 2015	PRC	RMB10,000,000 (k)	Environmental treatment service	**51%**	51%

(a) Shantou Xinda is a wholly foreign owned enterprise established in the PRC with an infinite operating period.

(b) Hongdong Treatment was registered as wholly foreign owned enterprises under PRC law on 21 July 2016.

(c) Xinda Detection was registered as wholly foreign owned enterprises under PRC law with an infinite operating period.

(d) Chongqing Hong Yuan Zhong is a limited liability company established in the PRC with an infinite operating period.

(e) Huazhang Shanghai is a wholly foreign owned enterprise established in the PRC to be operated for 30 years up to 16 December 2044.

(f) Huazhang Heihe is a limited liability company established in the PRC and was deregistered in April 2024.

(g) GD Foxin is a wholly foreign owned enterprise established in the PRC for 15 years up to 15 July 2030.

(h) Registered capital of Hongdong Treatment amounting to HK$121,180,000 is yet to be paid up as at 31 December 2024.

(i) Registered capital of Xinda Detection amounting to HK$35,000,000 is yet to be paid up as at 31 December 2024.

(j) Registered capital of Chongqing Hong Yuan Zhong amounting to RMB99,100,000 is yet to be paid up as at 31 December 2024.

(k) Registered capital of GD Foxin amounting to RMB5,267,000 is yet to be paid up as at 31 December 2024.

16 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2023						
Cost	58,456	3,739	69,451	5,113	–	136,759
Accumulated depreciation	(25,400)	(2,942)	(46,596)	(4,375)	–	(79,313)
Net book amount	33,056	797	22,855	738	–	57,446
Year ended 31 December 2023						
Opening net book amount	33,056	797	22,855	738	–	57,446
Additions	1,578	–	891	9	5,024	7,502
Disposal	–	–	(2,574)	–	–	(2,574)
Transfer from prepayment for non-current assets	–	–	869	–	–	869
Transfer from construction in progress	–	–	3,973	–	(3,973)	–
Depreciation	(2,629)	(720)	(4,660)	(128)	–	(8,137)
Currency translation differences	(466)	(6)	(308)	(9)	(8)	(797)
Closing net book amount	31,539	71	21,046	610	1,043	54,309
At 31 December 2023						
Cost	59,190	3,686	57,535	5,057	1,043	126,511
Accumulated depreciation	(27,651)	(3,615)	(36,489)	(4,447)	–	(72,202)
Net book amount	31,539	71	21,046	610	1,043	54,309
Year ended 31 December 2024						
Opening net book amount	**31,539**	**71**	**21,046**	**610**	**1,043**	**54,309**
Additions	**–**	**–**	**107**	**33**	**3,747**	**3,887**
Disposal	**–**	**–**	**(2,326)**	**(21)**	**–**	**(2,347)**
Transfer from prepayment for non-current assets	**–**	**–**	**427**	**–**	**2,861**	**3,288**
Depreciation	**(2,385)**	**(59)**	**(3,929)**	**(64)**	**–**	**(6,437)**
Impairment	**–**	**–**	**(217)**	**–**	**–**	**(217)**
Currency translation differences	**(636)**	**(2)**	**(351)**	**(13)**	**(124)**	**(1,126)**
Closing net book amount	**28,518**	**10**	**14,757**	**545**	**7,527**	**51,357**
At 31 December 2024						
Cost	**51,090**	**12**	**49,940**	**4,814**	**7,527**	**113,383**
Accumulated depreciation	**(22,572)**	**(2)**	**(34,970)**	**(4,269)**	**–**	**(61,813)**
Impairment	**–**	**–**	**(213)**	**–**	**–**	**(213)**
Net book amount	**28,518**	**10**	**14,757**	**545**	**7,527**	**51,357**

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2024, majority of the Group's property, plant and equipment were located in the PRC (31 December 2023: same).

Depreciation of the property, plant and equipment had been charged to profit or loss as follows:

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Cost of sales	**2,956**	3,734
Administrative expenses	**3,481**	4,403
	6,437	8,137

17 LEASES

(a) Amounts recognised in the consolidated statement of financial position

(i) Right-of-use assets

	Land-use rights HK$'000	Office buildings HK$'000	Total HK$'000
At 1 January 2023			
Cost	7,583	5,254	12,837
Accumulated depreciation	(2,714)	(3,430)	(6,144)
Net book amount	4,869	1,824	6,693
Year ended 31 December 2023			
Opening net book amount	4,869	1,824	6,693
Additions	–	2,780	2,780
Derecognition due to modification	–	(95)	(95)
Depreciation charges	(147)	(1,780)	(1,927)
Currency translation differences	(69)	(16)	(85)
Closing net book amount	4,653	2,713	7,366
At 31 December 2023			
Cost	7,475	5,355	12,830
Accumulated depreciation	(2,822)	(2,642)	(5,464)
Net book amount	4,653	2,713	7,366

17 LEASES *(continued)*

(a) Amounts recognised in the consolidated statement of financial position *(continued)*

(i) Right-of-use assets *(continued)*

	Land-use rights HK$'000	Office buildings HK$'000	Total HK$'000
Year ended 31 December 2024			
Opening net book amount	4,653	2,713	7,366
Additions	–	1,616	1,616
Derecognition due to modification	–	(7)	(7)
Disposal	–	(32)	(32)
Depreciation charges	(145)	(1,937)	(2,082)
Currency translation differences	(97)	(18)	(115)
Closing net book amount	4,411	2,335	6,746
At 31 December 2024			
Cost	7,315	4,292	11,607
Accumulated depreciation	(2,904)	(1,957)	(4,861)
Net book amount	4,411	2,335	6,746

As at 31 December 2024, except for certain leased office which was located in Hong Kong, the Group's other right-of-use assets were located in the PRC (31 December 2023: same).

(ii) Lease liabilities

	31 December 2024 HK$'000	31 December 2023 HK$'000
Lease liabilities		
– Current	2,306	1,962
– Non-current	606	1,162
	2,912	3,124

17 LEASES *(continued)*

(b) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Interest expense (included in finance cost)	**73**	56
Depreciation charges	**2,082**	1,927
Expenses relating to operating leases not recognised as liabilities (included in administrative expenses)	**15**	10

The total cash outflow for leases during the year ended 31 December 2024 was HK$1,830,000 (2023: HK$1,875,000).

18 INVESTMENT PROPERTIES

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Opening net book amount	**15,223**	15,234
Acquisitions	**–**	1,060
Depreciation charges	**(737)**	(852)
Currency translation differences	**(314)**	(219)
Closing net book amount	**14,172**	15,223

The investment properties were valued at HK$18,455,000 by an external independent valuer in 2022. As at 31 December 2024, the Group estimated the fair value of the investment properties approximate the valuation in 2022 since no significant changes were noted from then(31 December 2023: same).

19 INTANGIBLE ASSETS

	Computer software HK$'000	License HK$'000	Patent and technology HK$'000	Total HK$'000
At 1 January 2023				
Cost	714	5,101	4,667	10,482
Accumulated amortisation	(681)	(5,101)	(4,667)	(10,449)
Net book amount	33	–	–	33
Year ended 31 December 2023				
Opening net book amount	33	–	–	33
Amortisation	(4)	–	–	(4)
Currency translation differences	–	–	–	–
Closing net book amount	29	–	–	29
At 31 December 2023				
Cost	703	5,028	4,600	10,331
Accumulated amortisation	(674)	(5,028)	(4,600)	(10,302)
Net book amount	29	–	–	29
Year ended 31 December 2024				
Opening net book amount	**29**	**–**	**–**	**29**
Amortisation	**(11)**	**–**	**–**	**(11)**
Currency translation differences	**(1)**	**–**	**–**	**(1)**
Closing net book amount	**17**	**–**	**–**	**17**
At 31 December 2024				
Cost	**688**	**–**	**4,502**	**5,190**
Accumulated amortisation	**(671)**	**–**	**(4,502)**	**(5,173)**
Net book amount	**17**	**–**	**–**	**17**

Amortisation of HK$11,000 was charged to administrative expenses for the year ended 31 December 2024 (2023: HK$4,000).

20 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities was as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Deferred income tax assets	**10,427**	11,577
Deferred income tax liabilities	**(4,914)**	(5,350)

The net movement on the deferred income tax account was as follows:

	Year ended 31 December	
	2024 HK$'000	2023 HK$'000
At beginning of the year	**6,227**	2,652
Tax (charged)/credited to the consolidated statement of comprehensive income	**(837)**	3,414
Withholding income tax paid	**219**	250
Currency translation differences	**(96)**	(89)
At end of the year	**5,513**	6,227

20 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred income tax assets

	Temporary difference on fair value losses of listed securities HK$'000	Temporary difference on provision for impairment of assets HK$'000	Other temporary difference HK$'000	Total HK$'000
At 1 January 2023	3,233	5,879	740	9,852
Tax credited/(charged) to the consolidated statement of comprehensive income	161	2,556	(839)	1,878
Currency translation differences	(47)	(101)	(5)	(153)
At 31 December 2023	3,347	8,334	(104)	11,577
Tax (charged)/credited to the consolidated statement of comprehensive income	**(1,564)**	**445**	**202**	**(917)**
Currency translation differences	**(47)**	**(184)**	**(2)**	**(233)**
At 31 December 2024	**1,736**	**8,595**	**96**	**10,427**

20 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities

	Withholding income tax on profits to be distributed from subsidiaries in the PRC HK$'000
At 1 January 2023	7,200
Tax credited to the consolidated statement of comprehensive income	(1,536)
Withholding income tax paid	(250)
Currency translation differences	(64)
At 31 December 2023	5,350
Tax credited to the consolidated statement of comprehensive income	**(80)**
Withholding income tax paid	**(219)**
Currency translation differences	**(137)**
At 31 December 2024	**4,914**

As at 31 December 2024, the Group had unrecognised deferred income tax liabilities of HK$7,624,000 (31 December 2023: HK$7,295,000), that would otherwise be payable as withholding income tax in respect of the undistributed profits of a PRC subsidiary. No provision has been made in respect of such withholding income tax as the directors have confirmed that such profits will not be distributed out of the PRC in the foreseeable future. Unremitted earnings in this respect amounted to approximately HK$152,490,000 as at 31 December 2024 (31 December 2023: HK$145,905,000).

As at 31 December 2024, the Group had unrecognised deferred tax assets of approximately HK$10,483,000 (31 December 2023: HK$19,223,000) with respect to tax losses amounting to HK$41,926,000 (31 December 2023: HK$76,882,000) of certain subsidiaries in the PRC.

20 DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities *(continued)*

The expiry date of tax losses carried forward in respect of which deferred tax assets have not been accounted for was as follows:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Expire in 2024	–	3,079
Expire in 2025	2,769	2,769
Expire in 2026	1,423	1,423
Expire in 2027	1,308	36,140
Expire in 2028	29,230	33,471
Expire in 2029	7,196	–
	41,926	76,882

21 PREPAYMENTS FOR NON-CURRENT ASSETS

	31 December 2024 HK$'000	31 December 2023 HK$'000
Prepayment for an intangible asset	10,799	11,035
Prepayments for property, plant and equipment	–	4,725
Prepayment for an investment (a)	–	22,070
	10,799	37,830
Less: provision for impairment of prepayment for an intangible asset	(10,799)	(11,035)
	–	26,795

(a) The amount represented a prepayment for equity investment to an independent third party company Zhongcai Xiangrui (Beijing) Investment Management Company Limited (中財祥瑞(北京)投資管理有限公司) ("**Zhongcai Xiang Rui**"). In November 2024, as the relevant investment project failed to be successfully implemented, the Group was entitled to collect the prepaid amount with accumulated interest of 4% per annum in accordance with the signed agreement. Therefore, the amount was transferred to other receivables.

22 INVENTORIES

	31 December 2024 HK$'000	31 December 2023 HK$'000
Raw materials	**12,948**	16,225
Finished goods	**12,027**	12,318
	24,975	28,543
Less: provisions for inventories	**(730)**	–
	24,245	28,543

The cost of inventories recognised as expense and included in cost of sales amounted to HK$75,361,000 for the year ended 31 December 2024 (2023: HK$86,858,000).

23 TRADE RECEIVABLES

	31 December 2024 HK$'000	31 December 2023 HK$'000
Trade receivables	**202,485**	216,171
Less: allowance for impairment of trade receivables	**(58,884)**	(41,244)
Trade receivables – net	**143,601**	174,927

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

	31 December 2024 HK$'000	31 December 2023 HK$'000
Less than 90 days	**25,872**	39,406
91 days to 180 days	**9,073**	1,014
181 days to 365 days	**6,114**	1,429
Over 365 days	**161,426**	174,322
	202,485	216,171

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

(c) As at 31 December 2024, the Group's maximum exposure to credit risk was the carrying value of trade receivables mentioned above. The Group did not hold any collateral as security (31 December 2023: same).

24 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2024 HK$'000	31 December 2023 HK$'000
Other receivables (a)	**25,500**	2,887
Amounts due from an associate (b)	**31,609**	32,278
Loans to third parties (c)	**10,583**	11,791
Prepayments	**1,191**	1,206
Less: allowance for impairment of other receivables, amounts due from an associate and loans to third parties	**(64,289)**	(11,498)
	4,594	36,664
Less: classified as other non-current assets	**–**	(31,757)
	4,594	4,907

(a) As at 31 December 2024, other receivables mainly included RMB20,000,000 (equivalent to HK$21,598,000) receivables due from Zhongcai Xiang Rui, which was recognised as prepayment for an investment in 2023 (note 21). Considering the commercial dispute currently dealing with Zhongcai Xiang Rui, the Group expected the collectability of the amount was remote and a 100% impairment loss was provided for the year ended 31 December 2024 accordingly.

(b) The amount represented the funds advanced to an associate, Shengshi Heng Rui (Guangdong) Technology Company Limited (盛世恒瑞(廣東)科技有限公司) ("**Shengshi Heng Rui**"), which were unsecured, interest free and is repayable on demand but not expected to be recovered within one year, and therefore, was classified as other non-current assets in 2023. Since the funds advanced to Shengshi Heng Rui had been transferred to Zhongcai Xiang Rui, and considering the commercial dispute currently dealing with Zhongcai Xiang Rui, the Group expected the collectability of the amount was remote and a 100% impairment loss was provided for the year ended 31 December 2024 accordingly. The amounts due from an associate were denominated in Renminbi ("**RMB**") at 31 December 2024 (31 December 2023: same).

(c) Loans to third parties mainly included HK$10,583,000 (equivalent to RMB9,800,000) (31 December 2023: HK$10,814,000 (equivalent to RMB9,800,000)) which was a loan granted to a renowned property developer in Shantou, Guangdong Province, the PRC, an independent third party. The loan was for obtaining good interest return and maximizing 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).

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

24 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

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

	31 December 2024 HK$'000	31 December 2023 HK$'000
Denominated in RMB	**24,665**	2,517
Denominated in HK$	**835**	370
	25,500	2,887

(e) As at 31 December 2024, the Group's maximum exposure to credit risk was the carrying value of other receivables mentioned above. The Group does not hold any collateral as security (31 December 2023: same).

25 FINANCIAL ASSETS AT FVPL

	31 December 2024 HK$'000	31 December 2023 HK$'000
Listed equity securities – held for trading		
– Denominated in HK$	**1,236**	6,787
– Denominated in RMB	**11,925**	34,085
	13,161	40,872

26 RESTRICTED CASH AT BANKS

As at 31 December 2024, the Group's restricted cash mainly comprised deposits of HK$35,901,000 (31 December 2023: HK$32,439,000) as collateral for the Group's notes payable and deposits of HK$1,580,000 (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 1.56% (31 December 2023: 1.59%) per annum. These deposits had an original maturity of 90 days to three years.

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	31 December 2024 HK$'000	31 December 2023 HK$'000
Denominated in RMB	25,234	11,573
Denominated in HK$	515	768
Denominated in US$	77	–
	25,826	12,341

The Group's cash and bank balances of HK$25,234,000 (31 December 2023: HK$11,573,000) and restricted cash at banks of HK$37,548,000 (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 regulation of foreign exchange control promulgated by the PRC government.

28 SHARE CAPITAL

	Number of ordinary shares	HK$'000
Authorised share capital		
At 1 January 2023, 31 December 2023 and 31 December 2024	4,000,000,000	20,000

	Number of issued shares	Share capital HK$'000
Ordinary shares, issued and fully paid		
At 1 January 2023, 31 December 2023 and 31 December 2024	701,430,000	3,508

29 OTHER RESERVES

	Share premium HK$'000	Statutory reserves HK$'000 *(a)*	Exchange reserves HK$'000	Capital reserves HK$'000 *(b)*	Others HK$'000	Total HK$'000
Year ended 31 December 2023						
Balance at 1 January 2023	179,753	31,738	(23,090)	35,000	274	223,675
Currency translation differences	–	–	(4,518)	–	–	(4,518)
Balance at 31 December 2023	179,753	31,738	(27,608)	35,000	274	219,157
Year ended 31 December 2024						
Balance at 1 January 2024	**179,753**	**31,738**	**(27,608)**	**35,000**	**274**	**219,157**
Currency translation differences	**–**	**–**	**(6,668)**	**–**	**–**	**(6,668)**
Other transfer	**–**	**–**	**201**	**–**	**–**	**201**
Balance at 31 December 2024	**179,753**	**31,738**	**(34,075)**	**35,000**	**274**	**212,690**

(a) Statutory reserves

In accordance with relevant rules and regulations in the PRC, all the PRC companies that operate exclusively with foreign capitals are required to transfer an amount of not less than 10% of profit after taxation calculated under PRC accounting standards and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

(b) Capital reserves

The Group's capital reserves represented deemed contribution by the controlling shareholder, Mr. Zheng Andy Yi Sheng, to a subsidiary of the Group.

30 TRADE AND NOTES PAYABLES

	31 December 2024 HK$'000	31 December 2023 HK$'000
Trade payables (a)	73,364	73,823
Notes payable – bank acceptance notes	35,901	32,439
	109,265	106,262

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

	31 December 2024 HK$'000	31 December 2023 HK$'000
Within 90 days	69,652	58,348
91 to 180 days	164	872
Over 180 days	3,548	14,603
	73,364	73,823

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

(c) The fair value of trade and notes payables approximated their carrying amounts at 31 December 2024 (31 December 2023: same).

31 BORROWINGS

	31 December 2024 HK$'000	31 December 2023 HK$'000
Bank loans	10,260	22,622

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

The Group's borrowings were secured by guarantees provided by the controlling shareholder 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.

32 OTHER PAYABLES AND ACCRUALS

	31 December 2024 HK$'000	31 December 2023 HK$'000
Other tax payables	5,383	6,123
Accrual for staff costs and allowances	8,903	8,753
Other payables	6,684	6,367
	20,970	21,243

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

	31 December 2024 HK$'000	31 December 2023 HK$'000
Denominated in RMB	20,482	17,606
Denominated in HK$	488	3,637
	20,970	21,243

(b) The fair value of these balance approximated their carrying amounts at 31 December 2024 (31 December 2023: same).

33 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of loss before income tax to cash generated from operating activities was as follows:

	Year ended 31 December	
	2024 HK$'000	2023 HK$'000
Loss before income tax	(120,002)	(42,447)
Adjustments for:		
– Finance income	(598)	(1,309)
– Finance cost	708	900
– Depreciation and amortisation	9,267	10,920
– Other losses – net	5,156	11,555
– Net impairment losses on financial and contract assets	79,612	17,861
– Impairment loss on inventory	741	–
– Impairment loss on property, plant and equipment	217	–
– Share of loss of an associate accounted for using the equity method	274	–
Changes in working capital:		
– Trade receivables	9,023	32,145
– Contract assets	19,562	(2,353)
– Trade and notes payables	5,358	(34,122)
– Contract liabilities	2,427	–
– Other payables and accruals	555	(2,746)
– Inventories	3,005	16,807
– Prepayments and other receivables	4,382	3,552
Cash generated from operating activities	19,687	10,763

33 CASH FLOW INFORMATION *(continued)*

(b) Liabilities from financing activities

	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
Net debt as at 1 January 2023	(22,389)	(2,567)	(24,956)
Cash flows	288	1,865	2,153
Additions of lease liabilities	–	(2,780)	(2,780)
Disposal of lease liabilities	–	117	117
Foreign exchange adjustments	323	297	620
Interest expenses	(844)	(56)	(900)
Net debt as at 31 December 2023	(22,622)	(3,124)	(25,746)
Cash flows	**12,700**	**1,830**	**14,530**
Additions of lease liabilities	**–**	**(1,616)**	**(1,616)**
Disposal of lease liabilities	**–**	**39**	**39**
Foreign exchange adjustments	**297**	**32**	**329**
Interest expenses	**(635)**	**(73)**	**(708)**
Net debt as at 31 December 2024	**(10,260)**	**(2,912)**	**(13,172)**

34 COMMITMENTS

(a) Capital commitments

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

	31 December 2024 HK$'000	31 December 2023 HK$'000
Capital expenditure in respect of the addition of property and equipment contracted but not provided for	**–**	4,305

35 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:

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
Shengshi Heng Rui	Associate of the Group

(b) Balances with related parties

	31 December 2024 HK$'000	31 December 2023 HK$'000
Lease liabilities		
– Mr. Zheng Andy Yi Sheng (i)	**1,031**	–
Rental prepayment		
– Mr. Zheng Andy Yi Sheng	**–**	2
Other payables (ii)		
– Mr. Zheng Andy Yi Sheng	**484**	3,509
– Mr. Zheng Minsheng	**128**	149
	612	3,658
Other non-current assets		
– Shengshi Heng Rui (iii):		
Gross carrying amount	**31,609**	32,278
Loss allowance	**(31,609)**	(521)
	–	31,757

35 RELATED PARTY TRANSACTIONS *(continued)*

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

(i) During the year ended 31 December 2024, the Group 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) Amount due to Mr. Zheng Andy Yi Sheng of HK$469,000 (31 December 2023: HK$3,500,000) were denominated in HK$, unsecured, interest-free and repayable on demand. Except for that, other payables were directors' salaries and allowance denominated in RMB.

(iii) Amount due from Shengshi Heng Rui were denominated in RMB, unsecured, interest-free and repayable on demand. The amount is not expected to be recovered within one year and therefore classified as other non-current assets.

(c) Transaction with related parties

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Lease payments		
– Mr. Zheng Andy Yi Sheng	**312**	474
Interest expenses on lease liabilities		
– Mr. Zheng Andy Yi Sheng	**28**	21

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Financial guarantees provided by		
– Mr. Zheng Andy Yi Sheng *(Note 31)*	**10,260**	22,622

(d) Key management compensations

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

	Year ended 31 December	
	2024	2023
	HK$'000	HK$'000
Salaries, wages, bonuses, welfare and other benefits	**4,648**	5,276
Contributions to pension plans	**93**	81
	4,741	5,357

36 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	31 December 2024 HK$'000	31 December 2023 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	126,342	129,102
	126,342	129,102
Current assets		
Prepayments and other receivables	300	145
Amounts due from subsidiaries	37,434	41,548
Cash and cash equivalents	122	360
	37,856	42,053
Total assets	164,198	171,155
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,508	3,508
Other reserves	150,358	153,922
Retained earnings	9,182	9,422
Total equity	163,048	166,852
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	662	678
Other payables and accruals	488	3,625
Total liabilities	1,150	4,303
Total equity and liabilities	164,198	171,155

36 FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

	Share premium HK$'000	Exchange reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Year ended 31 December 2023				
Balance at 1 January 2023	179,753	(23,406)	11,480	167,827
Loss for the year	–	–	(2,058)	(2,058)
Currency translation differences	–	(2,425)	–	(2,425)
Balance at 31 December 2023	179,753	(25,831)	9,422	163,344
Year ended 31 December 2024				
Balance at 1 January 2024	**179,753**	**(25,831)**	**9,422**	**163,344**
Loss for the year	**–**	**–**	**(240)**	**(240)**
Currency translation differences	**–**	**(3,564)**	**–**	**(3,564)**
Balance at 31 December 2024	**179,753**	**(29,395)**	**9,182**	**159,540**

GLOSSARY

"Articles of Association"	the Articles of Association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Board Committees"	the Audit Committee, the Nomination Committee, the Remuneration Committee and the CG Committee
"CG Code"	the Corporate Governance Code as set out in Part 2 of Appendix C1 of the Listing Rules
"CG Committee"	the corporate governance committee of the Company
"Cigarette Packaging Business"	manufacturing and sales of cigarette packaging materials business
"Company" or "Huaxi"	Huaxi Holdings Company Limited
"Company Secretary"	secretary of the Company
"Director(s)"	director(s) of the Company
"Environmental Treatment Business"	environmental and ecological restoration treatment business
"FY2023"	financial year ended 31 December 2023
"FY2024" or "Year"	financial year ended 31 December 2024
"Group"	the Company and its subsidiaries
"Hongdong Treatment"	Shantou Hongdong Environmental Treatment Company Limited* (汕頭市弘東環境治理有限公司)
"HK$"	Hong Kong dollars
"INED(s)"	independent non-executive Director(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum and Articles of Association"	the Memorandum of Association of the Company and the Articles of Association
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"PRC" or "China"	the People's Republic of China
"Remuneration Committee"	the remuneration committee of the Company

* *For identification purpose only*

"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shantou Xinda"	Shantou Xinda Colour Printing & Packaging Material Company Limited* (汕頭市信達彩印包裝材料有限公司)
"Shareholder(s)"	the shareholder(s) of the Company
"Share(s)"	share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA" or "United States"	the United States of America
"US$"	United States dollars

* *For identification purpose only*

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**143,768**	155,387	194,536	404,559	373,394
Operating (loss)/profit	**(119,892)**	(42,856)	(58,344)	46,045	112,916
Finance (cost)/income – net	**(110)**	409	64	1,618	3,843
(Loss)/profit before income tax	**(120,002)**	(42,447)	(58,280)	47,663	116,759
Income tax credit/(expenses)	**8,931**	816	4,910	(11,188)	(23,477)
(Loss)/profit for the year	**(111,071)**	(41,631)	(53,370)	36,475	93,282
Attributable to:					
Owners of the Company	**(110,765)**	(41,184)	(53,107)	36,996	94,275
Non-controlling interests	**(306)**	(447)	(263)	(521)	(993)
	(111,071)	(41,631)	(53,370)	36,475	93,282
Assets, Liabilities and Non-controlling Interests					
Total assets	**350,878**	488,498	577,266	732,977	646,629
Total liabilities	**(153,272)**	(173,297)	(216,006)	(282,160)	(189,691)
Total equity	**197,606**	315,201	361,260	450,817	456,938
Non-controlling interests	**(6,748)**	(6,586)	(6,229)	(6,519)	(5,778)