



HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1689

Interim Report

2025



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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

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*)

Ms. Zheng Catherine Jia Lin
(appointed on 25 June 2025)

Mr. Lau Kwok Hung

Mr. Fok Po Tin

Mr. Cai Xiaowen
(appointed on 25 June 2025)

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

CORPORATE INFORMATION

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board is pleased to present the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2025, together with its unaudited comparative figures for the corresponding period in 2024, as follows:

		Six months ended 30 June	
	Note	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Revenue	6	65,702	62,615
Cost of sales	7	(45,816)	(53,590)
Gross profit		19,886	9,025
Distribution costs	7	(471)	(276)
Administrative expenses	7	(15,724)	(18,198)
Net impairment losses on financial and contract assets		(5,580)	(6)
Share of loss of an associate accounted for using the equity method		(11)	(11)
Other gains/(losses) – net	8	334	(11,775)
Operating loss		(1,566)	(21,241)
Finance income/(cost) - net	9	223	(118)
Loss before income tax		(1,343)	(21,359)
Income tax (expense)/credit	10	(980)	313
Loss for the period		(2,323)	(21,046)
Loss attributable to:			
– Owners of the Company		(2,295)	(20,987)
– Non-controlling interests		(28)	(59)
		(2,323)	(21,046)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences on translation to presentation currency		4,112	(2,643)
Other comprehensive income/(loss) for the period, net of tax		4,112	(2,643)
Total comprehensive income/(loss) for the period		1,789	(23,689)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		1,919	(23,672)
– Non-controlling interests		(130)	(17)
		1,789	(23,689)
Losses per share attributable to owners of the Company (expressed in HK cent per share)			
– Basic and diluted losses per share	11	HK(0.33) cents	HK(2.99) cents

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	13	49,468	51,357
Right-of-use assets	13	5,821	6,746
Intangible assets		16	17
Deferred tax assets		10,019	10,427
Investment properties	14	14,021	14,172
		79,345	82,719
Current assets			
Inventories		20,460	24,245
Contract assets	6(a)	17,286	19,184
Trade receivables	15	144,497	143,601
Prepayments and other receivables	16	2,787	4,594
Financial assets at fair value through profit or loss	17	13,682	13,161
Restricted cash at banks	18	37,725	37,548
Cash and cash equivalents	19	15,139	25,826
		251,576	268,159
Total assets		330,921	350,878

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	3,508	3,508
Other reserves		216,904	212,690
Accumulated losses		(14,139)	(11,844)
		206,273 (6,878)	204,354 (6,748)
Non-controlling interests			
Total equity		199,395	197,606
LIABILITIES			
Non-current liabilities			
Lease liabilities		605	606
Deferred tax liabilities		4,449	4,914
		5,054	5,520
Current liabilities			
Trade and notes payables	21	101,774	109,265
Contract liabilities	6(a)	258	2,427
Lease liabilities		1,639	2,306
Other payables and accruals	22	20,420	20,970
Current income tax liabilities		2,381	2,524
Borrowings	23	–	10,260
		126,472	147,752
Total liabilities		131,526	153,272
Total equity and liabilities		330,921	350,878

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) Attributable to owners of the Company			Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 20)	Other reserves HK\$'000	Retained earnings/ (accumulated losses) HK\$'000			
Balance at 1 January 2024	3,508	219,157	99,122	321,787	(6,586)	315,201
Changes in equity for the six months ended 30 June 2024:						
Loss for the period	-	-	(20,987)	(20,987)	(59)	(21,046)
Other comprehensive (loss)/income	-	(2,685)	-	(2,685)	42	(2,643)
Other transfer	-	201	(201)	-	-	-
Total comprehensive loss	-	(2,484)	(21,188)	(23,672)	(17)	(23,689)
Balance at 30 June 2024	3,508	216,673	77,934	298,115	(6,603)	291,512
Balance at 1 January 2025	3,508	212,690	(11,844)	204,354	(6,748)	197,606
Changes in equity for the six months ended 30 June 2025:						
Loss for the period	-	-	(2,295)	(2,295)	(28)	(2,323)
Other comprehensive income/(loss)	-	4,214	-	4,214	(102)	4,112
Total comprehensive income/(loss)	-	4,214	(2,295)	1,919	(130)	1,789
Balance at 30 June 2025	3,508	216,904	(14,139)	206,273	(6,878)	199,395

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Note		
Cash flows from operating activities		
Cash used in operations	(309)	(285)
PRC enterprise income tax paid	(1,137)	(1,580)
Net cash used in operating activities	(1,446)	(1,865)
Cash flows from investing activities		
Purchase of property, plant and equipment	(55)	(176)
Prepayments for non-current assets	–	(226)
Disposal of property, plant and equipment	7	419
(Increase)/decrease in restricted cash at banks	(177)	52
Loan to a related party	–	(22)
Payment for investment in an associate	(11)	(11)
Loans to a third party	(43)	–
Purchase of financial assets at fair value through profit or loss	(912)	(3,981)
Net proceed from disposal of financial assets at fair value through profit or loss	1,924	11,170
Interest income from bank deposits	284	274
Interest income from other financial assets	45	11
Net cash generated from investing activities	1,062	7,510

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	Six months ended 30 June	
		2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Cash flows from financing activities			
Interest paid		(51)	(377)
Proceeds from borrowings		–	4,954
Repayments of borrowings		(10,314)	(10,458)
Principal elements of lease payments		(691)	(744)
Interests elements of lease payments		(55)	(26)
Net cash used in financing activities		(11,111)	(6,651)
Net decrease in cash and cash equivalents		(11,495)	(1,006)
Cash and cash equivalents at beginning of the period		25,826	12,341
Effect of change in foreign exchange rates		808	(424)
Cash and cash equivalents at end of the period	19	15,139	10,911

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2025 (the **"Interim Financial Information"**) is presented in thousands of Hong Kong dollar (**"HK\$"**), unless otherwise stated.

This Interim Financial Information has not been audited and has been approved for issue by the Board of the Company on 29 August 2025.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard (**"HKAS"**) 34 **"Interim Financial Reporting"** as issued by the Hong Kong Institute of Certified Public Accountants. The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual financial statements for the year ended 31 December 2024.

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2024, except for the adoption of the amendments to HKFRS Accounting Standards for the first time for the current period's financial information as set out in note 2.1.

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

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

The Group has applied the following new amendments to standards for the first time for its reporting period commencing 1 January 2025:

Amendments to HKAS 21	Lack of Exchangeability
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The amendments to standards listed above did not have any significant impact on the financial position or performance of the Group. The Group has not applied any new standards or interpretations that is not yet effective for the current accounting period.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2024.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2024.

There have been no changes in the Group's financial risk management policies and practices since 2024 year end.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.2 Fair value estimation

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

	Level 1 HK\$'000
Financial assets at fair value through profit or loss ("FVPL") – Listed securities	
At 30 June 2025 (unaudited)	13,682
At 31 December 2024 (audited)	13,161

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where climate risk give rise to a significant unobservable adjustment.

4 FINANCIAL RISK MANAGEMENT *(continued)*

4.2 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.

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

The carrying amounts of the Group's cash and cash equivalents, restricted cash at banks, trade receivables, other receivables, trade and notes payables, lease liabilities, borrowings and other payables and accruals approximate their fair values as at 30 June 2025 and 31 December 2024 due to their short maturities.

5 SEGMENT INFORMATION

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

The Group is principally engaged in Cigarette Packaging Business and Environmental Treatment Business in the PRC, which are identified as reportable segments. Agency service business is not separately reviewed by the CODM and therefore it is not separately presented.

The CODM assesses the performance of the operating segments based on a measure of operating profit or loss excluding other gains or losses arising from financial assets at FVPL, share of loss of an associate accounted for using the equity method and net impairment losses on financial and contract assets.

Segment assets exclude financial assets at FVPL, investment properties, interest in an associate and deferred tax assets. Segment liabilities exclude current income tax liabilities and deferred tax liabilities.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

- (a) The segment results and other segment items of the Group for the six months ended 30 June 2025 are as follows:

	Cigarette Packaging Business HK\$'000 (Unaudited)	Environmental Treatment Business HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	The Group HK\$'000 (Unaudited)
Revenue	60,298	5,404	–	65,702
Segment results	2,380	217	–	2,597
Net impairment losses on financial and contract assets				(5,580)
Share of loss of an associate accounted for using the equity method				(11)
Other gains arising from financial assets at FVPL				1,428
Operating loss				(1,566)
Finance income – net				223
Loss before income tax				(1,343)
Income tax expense				(980)
Loss for the period				(2,323)
<i>Other segment item</i>				
Depreciation and amortisation	3,634	468	–	4,102

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

- (a) The segment results and other segment items of the Group for the six months ended 30 June 2024 are as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

(b) The segment assets and liabilities at 30 June 2025 are as follows:

	Cigarette Packaging Business HK\$'000 (Unaudited)	Environmental Treatment Business HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Inter-segment elimination HK\$'000 (Unaudited)	The Group HK\$'000 (Unaudited)
Segment assets	363,000	135,178	56	(205,035)	293,199
Investment properties					14,021
Financial assets at FVPL					13,682
Deferred tax assets					10,019
Total assets					330,921
Segment liabilities	62,567	267,164	-	(205,035)	124,696
Current income tax liabilities					2,381
Deferred tax liabilities					4,449
Total liabilities					131,526
Capital expenditures	55	-	-	-	55

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 SEGMENT INFORMATION *(continued)*

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

	Cigarette Packaging Business HK\$'000 (Audited)	Environmental Treatment Business HK\$'000 (Audited)	Unallocated HK\$'000 (Audited)	Inter-segment elimination HK\$'000 (Audited)	The Group HK\$'000 (Audited)
Segment assets	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
At a point in time		
Sales of cigarette packaging products	60,298	58,445
Agency services	–	101
	60,298	58,546
Over time		
Revenue from environmental and ecological restoration contracts		
– Construction services	2,376	2,625
– Maintenance and other services	3,028	1,444
	5,404	4,069
	65,702	62,615

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

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Customer A	48.2%	45.2%
Customer B	43.2%	44.6%

Majority of the Group's revenue were derived from customers in the PRC for the period (FP2024: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE *(continued)*

(a) Assets and liabilities related to contracts with customers

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

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Contract assets relating to construction contracts	26,257	25,859
Less: loss allowance	(8,971)	(6,675)
Total contract assets	17,286	19,184
Contract liabilities – construction services	258	2,427

(i) Unsatisfied contracts

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Cost of inventories sold	34,350	35,078
Staff costs (including directors' emoluments)	15,367	15,680
Raw materials consumed and subcontracting costs for construction contracts	2,847	8,666
Depreciation and amortisation		
– Amortisation of intangible assets	2	2
– Depreciation of property, plant and equipment (<i>Note 13</i>)	2,698	3,565
– Depreciation of right-of-use assets (<i>Note 13</i>)	1,037	1,033
– Depreciation of investment properties (<i>Note 14</i>)	365	365
Utilities	1,243	1,090
Impairment loss on property, plant and equipment	–	504
Other taxes and surcharges	309	319
Auditor's remuneration		
– Audit service	1,145	903
– Non-audit service	130	132
Other expenses	2,518	4,727
Total cost of sales, distribution costs and administrative expenses	62,011	72,064

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Foreign exchange (losses)/gains	(1,091)	478
Dividend income from financial assets at FVPL	88	143
Losses on disposal of property, plant and equipment	(3)	(1,423)
Net fair value gains/(losses) on financial assets at FVPL	1,340	(10,973)
	334	(11,775)

9 FINANCE INCOME/(COST) – NET

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Finance income		
Interest income from bank deposits	284	274
Interest income from other financial assets (a)	45	11
	329	285
Finance cost		
Interest expenses on borrowings	(51)	(377)
Interest expenses on lease liabilities	(55)	(26)
	(106)	(403)
	223	(118)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

- (a) Other financial assets comprised certain non-derivative wealth management products with fixed or determinable payment terms of less than 180 days from a financial institution. As at 30 June 2025, all these financial assets were matured (30 June 2024: same).

10 INCOME TAX (EXPENSE)/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 the rate of 16.5% (FP2024: 16.5%) on the assessable profits arising in Hong Kong during the six months ended 30 June 2025, except for one subsidiary of the Group which is qualifying corporation under the two-tiered profits tax rates 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% (FP2024: same).

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

On 28 December 2023, Shantou Xinda successfully renewed the High and New Technology Enterprise Certificate which was effective for three years commencing on 1 January 2023. As there is no change to the relevant laws and regulations, the Directors assessed and considered that Shantou Xinda will continue to be granted the preferential tax treatment through an application of renewal. Accordingly, a tax rate of 15% (FP2024: 15%) was applied when considering the current income tax and the deferred income tax for the six months ended 30 June 2025.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

According to the EIT Law and Implementation Rules, starting from 1 January 2008, a withholding income tax of 10% will be levied on the intermediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the intermediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong. The Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies since they had fulfilled the aforesaid conditions.

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Current income tax		
PRC enterprise income tax	(416)	–
Deferred income tax	(564)	313
	(980)	313

There were no income tax charges relating to components of other comprehensive income for the six months ended 30 June 2025 (FP2024: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 LOSSES PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2025 (Unaudited)	2024 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(2,295)	(20,987)
Weighted average number of ordinary shares in issue	701,430,000	701,430,000
Basic losses per share	HK(0.33) cents	HK(2.99) cents

(b) Diluted

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Diluted losses per share equals to basic losses per share as there were no potential diluted shares in issue for the six months ended 30 June 2025 (FP2024: same).

12 DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (FP2024: nil).

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

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

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

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

(continued)

	Property, plant and equipment HK\$'000 (Unaudited)	Right-of-use assets HK\$'000 (Unaudited)
At 1 January 2025		
Cost	113,383	11,607
Accumulated depreciation	(61,813)	(4,861)
Impairment	(213)	–
Net book amount	51,357	6,746
Six months ended 30 June 2025		
Opening net book amount	51,357	6,746
Additions	55	–
Disposals	(9)	(8)
Depreciation	(2,698)	(1,037)
Currency translation differences	763	120
Closing net book amount	49,468	5,821
At 30 June 2025		
Cost	115,049	11,741
Accumulated depreciation	(65,364)	(5,920)
Impairment	(217)	–
Net book amount	49,468	5,821

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 INVESTMENT PROPERTIES

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Opening net book amount	14,172	15,223
Depreciation charges	(365)	(737)
Currency translation difference	214	(314)
Closing net book amount	14,021	14,172

15 TRADE RECEIVABLES

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Trade receivables (a)	207,723	202,485
Less: allowance for impairment of trade receivables	(63,226)	(58,884)
Trade receivables – net	144,497	143,601

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE RECEIVABLES *(continued)*

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

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Within 90 days	28,203	25,872
91 days to 180 days	1,998	9,073
181 days to 365 days	9,642	6,114
Over 365 days	167,880	161,426
	207,723	202,485

- (b) The Group's trade receivables were denominated in RMB at 30 June 2025 (31 December 2024: same).

16 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Other receivables (a)	24,134	25,500
Amounts due from an associate (b)	32,094	31,609
Loans to third parties (c)	10,746	10,583
Prepayments	989	1,191
Less: allowance for impairment of other receivables, amounts due from an associate and loans to third parties	(65,176)	(64,289)
	2,787	4,594

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

- (a) As at 30 June 2025, other receivables mainly included RMB20,000,000 (equivalent to HK\$21,930,000) (31 December 2024: RMB20,000,000 (equivalent to HK\$21,598,000)) receivables due from Zhongcai Xiangrui (Beijing) Investment Management Company Limited (中財祥瑞(北京)投資管理有限公司) (“**Zhongcai Xiang Rui**”). 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 as at 30 June 2025 (31 December 2024: same).
- (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 denominated in RMB, unsecured, interest free and repayable on demand. 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 as at 30 June 2025 (31 December 2024: same).
- (c) Loans to third parties mainly included RMB9,800,000 (equivalent to HK\$10,746,000) (31 December 2024: RMB9,800,000 (equivalent to HK\$10,583,000)) 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 denominated in RMB, unsecured, bearing interest at 1.5% (31 December 2024: 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 2024: same).

The loans to third parties were denominated in RMB at 30 June 2025 (31 December 2024: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

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

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Denominated in RMB	23,784	24,665
Denominated in HK\$	350	835
	24,134	25,500

17 FINANCIAL ASSETS AT FVPL

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Listed equity securities – held for trading		
– denominated in HK\$	701	1,236
– denominated in RMB	12,981	11,925
	13,682	13,161

18 RESTRICTED CASH AT BANKS

As at 30 June 2025, the Group's restricted cash at banks mainly comprised deposits of HK\$35,045,000 (31 December 2024: HK\$35,901,000) as collateral for the Group's notes payable and deposits of HK\$1,605,000 (31 December 2024: HK\$1,580,000) 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 2024: 1.56%) per annum. These deposits had an original maturity of 90 days to three years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Denominated in RMB	14,992	25,234
Denominated in HK\$	68	515
Denominated in US\$	79	77
	15,139	25,826

The Group's cash and cash equivalents of HK\$14,992,000 (31 December 2024: HK\$25,234,000) and restricted cash at banks of HK\$37,725,000 (31 December 2024: HK\$37,548,000) denominated in RMB were deposited with banks in the PRC. The remittance of funds out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL

	Number of ordinary shares	HK\$'000
Authorised share capital		
At 31 December 2024 and 30 June 2025	4,000,000,000	20,000
	Number of issued shares	Share capital HK\$'000
Ordinary shares, issued and fully paid		
At 31 December 2024 and 30 June 2025	701,430,000	3,508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 TRADE AND NOTES PAYABLES

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Trade payables (a)	66,729	73,364
Notes payable – bank acceptance notes	35,045	35,901
	101,774	109,265

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

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Within 90 days	60,961	69,652
91 days to 180 days	1,563	164
Over 180 days	4,205	3,548
	66,729	73,364

- (b) The Group's trade and notes payables were denominated in RMB at 30 June 2025 (31 December 2024: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 OTHER PAYABLES AND ACCRUALS

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Other tax payables	4,972	5,383
Accrual for staff costs and allowances	7,799	8,903
Other payables	7,649	6,684
	20,420	20,970

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

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Denominated in RMB	17,526	20,482
Denominated in HK\$	2,894	488
	20,420	20,970

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 BORROWINGS

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Bank loans	—	10,260

The Group's borrowings have been fully repaid during the period. As at 31 December 2024, the Group's borrowings were denominated in RMB and were secured by guarantees provided by the controlling shareholder, Mr. Zheng Andy Yi Sheng, and other subsidiaries of the Group, bearing interest rate at 3.70% per annum and maturing in one year.

24 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

	30 June 2025 HK\$'000 (Unaudited)	31 December 2024 HK\$'000 (Audited)
Lease liabilities		
Mr. Zheng Andy Yi Sheng (i)	1,065	1,031
Other payables (ii)		
Mr. Zheng Andy Yi Sheng	2,641	484
Mr. Zheng Minsheng	122	128
Other receivables		
Shengshi Heng Rui (iii)		
Gross carrying amount	32,094	31,609
Loss allowance	(32,094)	(31,609)
	—	—
Financial guarantees provided by		
Mr. Zheng Andy Yi Sheng (Note 23)	—	10,260

- (i) The Group entered into certain lease agreements with Mr. Zheng Andy Yi Sheng in 2024 to lease office buildings located in the PRC. The liabilities were denominated in RMB and unsecured.
- (ii) Amounts due to Mr. Zheng Andy Yi Sheng of (i) HK\$2,632,000 (31 December 2024: HK\$469,000) were funds advanced to the Company 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 was denominated in RMB, unsecured, interest-free and repayable on demand. The amount is not expected to be recovered within one year and is therefore classified as other non-current assets (Note 16(b)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with related parties

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Interest expenses on lease liabilities		
Mr. Zheng Andy Yi Sheng <i>(Note (b)(ii))</i>	18	9

(d) Key management compensations

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

	Six months ended 30 June	
	2025 HK\$'000 (Unaudited)	2024 HK\$'000 (Unaudited)
Salaries and other employee benefits	1,670	1,856
Contribution to pension plans	48	46
	1,718	1,902

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

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

During the Reporting Period, the Group recorded revenue of approximately HK\$65.70 million, representing an increase of approximately HK\$3.08 million or 4.9% as compared to approximately HK\$62.62 million for FP2024 and loss attributable to owners of the Company of approximately HK\$2.30 million, representing a decrease of approximately HK\$18.69 million or 89.0% as compared to approximately HK\$20.99 million for FP2024.

Cigarette Packaging Business

During the Reporting Period, the revenue and profitability of the Cigarette Packaging Business saw a slight improvement. Revenue of the Cigarette Packaging Business for FP2025 was approximately HK\$60.30 million, representing an increase of HK\$1.85 million or 3.2% compared to approximately HK\$58.45 million for FP2024.

The following tables sets forth the breakdown of the Group's revenue from sales of cigarette packaging materials for FP2025 and FP2024:

	FP2025		FP2024	
	HK\$'000	%	HK\$'000	%
Inner frame paper	32,754	54.3	36,948	63.2
Tipping paper	17,088	28.4	14,996	25.7
Cigarette box frame paper	7,072	11.7	3,924	6.7
Cigarette trademark label	3,381	5.6	2,577	4.4
Others	3	0.0	–	–
Total	60,298	100.0	58,445	100.0

Environmental Treatment Business

With the completion of existing construction projects, which have entered into the settlement stage, and the income contributed from river ecological maintenance during the Reporting Period, the Environmental Treatment Business recorded a revenue of approximately HK\$5.40 million, representing an increase of HK\$1.33 million or 32.7% compared to approximately HK\$4.07 million for FP2024.

BUSINESS AND OPERATION REVIEW *(continued)*

Gross profit and gross profit margin

The gross profit of the Group for FP2025 was approximately HK\$19.89 million (FP2024: HK\$9.03 million) which consisted of gross profit of approximately HK\$18.45 million (FP2024: HK\$16.51 million) from the Cigarette Packaging Business and gross profit of HK\$1.44 million (FP2024: gross loss HK\$7.48 million) from the Environmental Treatment Business.

The gross profit margin of the Group increased from 14.4% in FP2024 to 30.3% in FP2025, representing an increase of 15.9%. This was mainly due to (i) an improvement in gross profit margin of the Cigarette Packaging Business by 2.4% for FP2025 as compared to FP2024; and (ii) the construction projects were completed and are in the settlement stage, and the Group no longer requires to incur additional costs for maintaining these projects, which resulted in the Environmental Treatment Business recording a turnaround gross profit of HK\$1.44 million for FP2025, compared to a gross loss of HK\$7.48 million for FP2024.

The gross profit margin of the Cigarette Packaging Business and the Environmental Treatment Business for FP2025 was approximately 30.6% (FP2024: 28.2%) and 26.7% (FP2024: -183.8%), respectively.

Distribution costs

The distribution costs of the Group for the Reporting Period were amounted to approximately HK\$0.47 million, representing an increase of HK\$0.19 million compared to approximately HK\$0.28 million for FP2024.

Administrative expenses

The administrative expenses of the Group for the Reporting Period were approximately HK\$15.72 million (FP2024: HK\$18.20 million), a decrease of 13.6% or approximately HK\$2.48 million.

Net impairment losses on financial and contract assets

During the Reporting Period, the net impairment losses on financial and contract assets were approximately HK\$5.58 million, representing an increase of HK\$5.57 million as compared to approximately HK\$0.01 million for FP2024, as higher expected loss rates were applied to certain specific balances in relation to the Environmental Treatment Business in view of their long overdue status.

Other gains/(losses) – net

The net other gains of the Group for FP2025 were approximately HK\$0.33 million (FP2024: net other losses of HK\$11.78 million), mainly benefiting from the stabilized securities markets in Hong Kong and China during the Reporting Period. The Group recognised dividend income from financial assets at FVPL of approximately HK\$0.09 million (FP2024: HK\$0.14 million) and net fair value gains on financial assets at FVPL of approximately HK\$1.34 million (FP2024: net fair value losses of HK\$10.97 million) for the Reporting Period.

BUSINESS AND OPERATION REVIEW *(continued)*

Finance income/(cost) – net

During the Reporting Period, the net finance income/(cost) of the Group mainly consisted of interest income on certain non-derivative wealth management products and bank deposits and interest expenses on borrowings and lease liabilities. The net financial income for the Reporting Period was approximately HK\$0.22 million (FP2024: net finance cost of HK\$0.12 million).

Income tax (expense)/credit

The income tax expense for FP2025 was approximately HK\$0.98 million compared to the income tax credit of HK\$0.31 million for FP2024. The Group's indirect wholly-owned subsidiary, Shantou Xinda, was granted a preferential tax rate of 15%.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company for FP2025 of approximately HK\$2.30 million, representing a decrease of approximately HK\$18.69 million or 89.0%, as compared to the loss attributable to owners of the Company of approximately HK\$20.99 million for FP2024.

Interim dividend

The Board does not recommend the payment of an interim dividend for the Reporting Period (FP2024: 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 gain from the listed securities for FP2025 was approximately HK\$1.43 million (FP2024: net loss of HK\$10.83 million), including a gain on change in fair value of approximately HK\$1.34 million (FP2024: loss of HK\$10.97 million) as a result of the benefits from the stabilized securities markets in Hong Kong and China during the Reporting Period. The management invests in these shares with the expectation that the price will be stable and gradually increase in line with the upward trend of the securities market in China and Hong Kong in the long term.

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

As at 30 June 2025, the financial assets at FVPL held by the Group are as follow:

	30 June 2025		31 December 2024	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Equity securities listed in Hong Kong				
Other equity securities <i>(Note 1)</i>		701		1,236
Equity securities listed in China				
Guangdong Liantai 聯泰環保 (603797)	1,240,972	6,082	1,260,972	5,447
Guangdong Tonze Electric 天際股份 (002759)	350,000	3,857	350,000	3,315
Other equity securities <i>(Note 2)</i>		3,042		3,163
		13,682		13,161

Notes:

- (1) Other listed equity securities comprised 1 equity security listed in Hong Kong (31 December 2024: 3).
- (2) Other listed equity securities comprised 1 equity security listed in China (31 December 2024: 3).

BUSINESS AND OPERATION REVIEW *(continued)***Capital structure, liquidity and financial resources**

As at 30 June 2025, the Group had net assets of HK\$199.40 million (31 December 2024: HK\$197.61 million) and working capital surplus of HK\$125.10 million (31 December 2024: HK\$120.41 million).

As at 30 June 2025, the total cash and cash equivalents and restricted cash balances of the Group amounted to approximately HK\$52.87 million (31 December 2024: HK\$63.37 million), including restricted cash at banks of approximately HK\$37.73 million (31 December 2024: HK\$37.55 million) of which all (31 December 2024: all) were denominated in RMB and cash and cash equivalents of approximately HK\$15.14 million (31 December 2024: HK\$25.83 million) of which approximately HK\$14.99 million (31 December 2024: HK\$25.23 million) were denominated in RMB and approximately HK\$0.08 million (31 December 2024: HK\$0.08 million) were denominated in US\$.

The following table sets forth the unaudited cash flows for FP2025 and FP2024:

	FP2025 HK\$'000	FP2024 HK\$'000
Net cash used in operating activities	(1,446)	(1,865)
Net cash generated from investing activities	1,062	7,510
Net cash used in financing activities	(11,111)	(6,651)
Net decrease in cash and cash equivalents	(11,495)	(1,006)
Cash and cash equivalents at the beginning of the period	25,826	12,341
Effect on change in exchange rates	808	(424)
Cash and cash equivalents at the end of the period	15,139	10,911

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

BUSINESS AND OPERATION REVIEW *(continued)*

Borrowings and gearing ratio

As at 31 December 2024, the Group's borrowings of approximately HK\$10.26 million were fixed-rate borrowings denominated in RMB, which were secured by the personal guarantee provided by the controlling shareholder of the Company, bearing interest rate at 3.70% per annum and maturing in one year. The borrowings have been repaid in full during the Reporting Period, and the Group did not have any borrowings as at 30 June 2025.

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 condensed consolidated financial statements plus net borrowings. No gearing ratio was presented as the Group had net cash surplus as at 30 June 2025 and 31 December 2024.

Exposure to fluctuations in exchange rates

The Group's transactions for its principal subsidiaries in China were mainly conducted in RMB, the functional currency of these subsidiaries, and the major receivables and payables of the Group are also denominated in RMB.

The Group's exposure to foreign currency risk was primarily related to certain cash and bank balances, financial assets at FVPL, trade receivables, prepayments and other receivables, other payables and accruals and lease liabilities that were denominated in HK\$. Presently, the Group has no hedging policy in place with respect to the foreign exchange exposure.

Capital expenditure and commitments

During the Reporting Period, the Group's total capital expenditure amounted to approximately HK\$0.06 million, which was used in the acquisition of property, plant and equipment (FP2024: HK\$2.04 million, which was used in the acquisition of property, plant and equipment, prepayments for non-current assets and right-of-use assets).

As at 30 June 2025 and 31 December 2024, the Group had no capital commitments.

Charge on assets

As at 30 June 2025, the Group placed cash deposits of approximately HK\$37.73 million (31 December 2024: HK\$37.55 million), which consisted of deposits of approximately HK\$35.05 million (31 December 2024: HK\$35.90 million) as collateral for the Group's notes payable and deposits of approximately HK\$1.61 million (31 December 2024: HK\$1.58 million) as performance guarantee letter deposits, which were all denominated in RMB.

BUSINESS AND OPERATION REVIEW *(continued)*

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2025 and 31 December 2024.

Material acquisitions and disposals for subsidiaries, associates and joint ventures

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

Significant investment activities

The Group had no significant investment activities during the Reporting Period (FP2024: same).

FUTURE OUTLOOK AND PROSPECTS

Looking ahead, the Cigarette Packaging Business and the Environmental Treatment Business have been shown slight improvements during the Reporting Period, but the outlook for 2025 remains challenging.

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

Despite the PRC government's policy direction of creating a better environment, promoting green development, and fostering harmonious coexistence between humans and nature remains unchanged, the Group's Environmental Treatment Business is still tough, and the chances of being awarded new ecological restoration projects remain low until there is a turnaround in the fiscal conditions of local governments. We will pay close attention to the developments, assess opportunities and risks of our Environmental Treatment Business in a timely manner, and adjust our business strategy as and when necessary.

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

HUMAN RESOURCES

As at 30 June 2025, the Group employed a total of 250 (31 December 2024: 258) permanent employees in China and Hong Kong. Total employee remuneration (including Directors' emoluments and benefits) for the Reporting Period amounted to HK\$15.37 million (FP2024: HK\$15.68 million). The Group offered competitive remuneration packages to its employees based on their performance, qualification and experience and will continue to review with reference to the level and composition of remuneration and the general market conditions. In addition to basic salaries, employees are entitled to other benefits including social insurance contributions, employee provident fund schemes and discretionary incentives.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the Reporting Period and, where appropriate, the applicable recommended best practices of the CG Code, save the followings:

Code Provision C.2.1

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

Mr. Zheng Andy Yi Sheng is the chairman of the Board and the CEO of the Group. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and departments heads and the substantial decisions are left to the Board (including INEDs), the Board considers that vesting the roles of both chairman and CEO in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code Provision C.5.1

Code Provision C.5.1 stipulates that the Board should meet regularly and Board meeting should be held at least four times a year approximately quarterly intervals. During the Reporting Period, only one regular Board meeting was held to review and discuss the annual results of the Company. Since the Company does not announce its quarterly results, the Board does not consider the holding of quarterly meetings as necessary. Instead, the Board meets on other occasions when a Board-level decision on a particular matter is required. Save for the aforementioned regular Board meeting, the Board held one Board meeting during the Reporting Period to discuss and approve an additional female member of the Nomination Committee, in fulfilling the amendments to the CG Code which took effect from 1 July 2025.

CORPORATE GOVERNANCE PRACTICES *(continued)*

Code Provision D.1.2

Pursuant to Code Provision D.1.2, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules. During the Reporting Period, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision D.1.2, as all the executive Directors are involved in the daily operation of the Group and are fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including INEDs) periodically updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the management has provided all Directors, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

A new share option scheme (the “**Share Option Scheme**”) was approved and adopted by the Company for a period of 10 years at the annual general meeting held on 16 June 2023, in place of the old share option scheme adopted on 14 November 2013. For details of the Share Option Scheme, please refer to the circular of the Company dated 28 April 2023. The Share Option Scheme aims to recognise the past contribution and future performance of the directors, chief executive and employees of the Group (“**Employee Participants**”) and the suppliers, advisers and consultants of the Group (“**Service Providers**”) (collectively referred to as “**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 Share Option Scheme will remain in force for a period of 10 years commencing from 16 June 2023 (i.e., the date of adoption of the Share Option Scheme) (the “**Adoption Date**”) to 15 June 2033. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme adopted by the Group must not in aggregate exceed 10% (the “**Scheme Mandate Limit**”) of the Shares in issue on the Adoption Date, which were 70,143,000 Shares. Within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to the Service Providers shall not exceed 7,014,300 Shares, representing 1% of the total number of Shares in issue on the Adoption Date (the “**Service Provider Sublimit**”). 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 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 total number of Shares available for issue under the Share Option Scheme is 70,143,000 Shares, representing 10% of the total number of Shares in issue (excluding treasury shares, if any) as at the date of this interim report.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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.

SHARE OPTION SCHEME *(continued)*

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the 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 Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option.

Unless a shorter vesting period is granted to the Employee Participants at the sole discretion of the Board or the Remuneration Committee in certain circumstances as specified in the Share Option Scheme, the vesting period of options granted under the Share Option Scheme shall not be less than 12 months.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall be at least 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 grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of the Shares.

No share option was granted under the Share Option Scheme since its adoption and during the Reporting Period.

At the beginning and the end of the Reporting Period, the number of options available for grant under the Share Option Scheme and the Service Provider Sublimit were 70,143,000 Shares and 7,014,300 Shares, respectively.

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

As at 30 June 2025, 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 (iii))
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 is legally and beneficially owned by Mr. Zheng Andy Yi Sheng.
- (ii) The approximate percentage of interests held was calculated on the basis of 701,430,000 ordinary Shares in issue as at 30 June 2025.

Save as disclosed above, as at 30 June 2025, none of the Directors and the chief executive of the Company or any of their spouses or children under 18 years old had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2025, to the best knowledge of the Directors, the following persons had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long positions in ordinary Shares

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary Shares held	Percentage of the Company's issued share capital (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. Chen Annie Ni (Note (iii))	Interest of spouse	450,000,000	64.15

Notes:

- (i) The entire issued share capital of SXD Limited is 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 is accordingly deemed to have an interest in the shares of SXD Limited.
- (iii) The approximate percentage of interests held was calculated on the basis of 701,430,000 ordinary Shares in issue as at 30 June 2025.

Save as disclosed above, the Company had not been notified by any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company pursuant to section 336 of the SFO as at 30 June 2025.

AUDIT COMMITTEE

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

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

Hong Kong, 29 August 2025

GLOSSARY

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Part 2 of Appendix C1 of the Listing Rules
"Cigarette Packaging Business"	manufacturing and sales of cigarette packaging materials business
"Company" or "Huaxi"	Huaxi Holdings Company Limited
"Director(s)"	director(s) of the Company
"Environmental Treatment Business"	environmental and ecological restoration treatment business
"FP2024"	six months ended 30 June 2024
"FP2025" or "Reporting Period"	six months ended 30 June 2025
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollar
"INED(s)"	independent non-executive Director(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Nomination Committee"	the nomination committee of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
"PRC" or "China"	the People's Republic of China

GLOSSARY

“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shantou Xinda”	Shantou Xinda Packing Colour Printing & Packaging Material Company Limited* (汕頭市信達彩印包裝材料有限公司)
“Share(s)”	share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“US\$”	United States dollars

* *For identification purpose only*