



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 2022

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# CORPORATION INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zheng Andy Yi Sheng (*Chairman*)

Mr. Zheng Minsheng

### Non-executive Director

Mr. Hao Jiming

### Independent Non-executive Directors

Mr. Lau Kwok Hung

Mr. Fok Po Tin

Mr. Cai Xiaowen

## AUDIT COMMITTEE

Mr. Lau Kwok Hung (*Chairman*)

Mr. Fok Po Tin

Mr. Cai Xiaowen

## REMUNERATION COMMITTEE

Mr. Lau Kwok Hung (*Chairman*)

Mr. Fok Po Tin

Mr. Cai Xiaowen

## NOMINATION COMMITTEE

Mr. Zheng Andy Yi Sheng (*Chairman*)

Mr. Lau Kwok Hung

Mr. Fok Po Tin

## CORPORATE GOVERNANCE COMMITTEE

Mr. Zheng Andy Yi Sheng (*Chairman*)

Mr. Zheng Minsheng

Mr. Lau Kwok Hung

## COMPANY SECRETARY

Mr. Yu Wing Cheung

## AUTHORISED REPRESENTATIVES

Mr. Zheng Andy Yi Sheng

Mr. Yu Wing Cheung

## AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

## LEGAL ADVISER

### On Hong Kong law

Peter K.S. Chan & Co.

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1906-07 Cosco Tower

183 Queen's Road Central

Central

Hong Kong

## REGISTERED OFFICE

Windward 3, Regatta Office Park,

P.O. Box 1350

Grand Cayman, KY1-1108

Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park,

P.O. Box 1350

Grand Cayman, KY1-1108

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

Shop 1712-16, 17th Floor,

Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

## PRINCIPAL BANKERS

The Hongkong & Shanghai Banking

Corporation Limited

Bank of China Limited

China Minsheng Banking Corporation

Limited

Industrial & Commercial Bank of China

Limited

## WEBSITE

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

## STOCK CODE

01689

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

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

### Revenue

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

### Gross Profit

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

### Administrative Expenses

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

### **BUSINESS REVIEW** *(continued)*

#### **Finance Income — Net**

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

#### **Income Tax Credit/(Expense)**

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

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

#### **(Loss)/Profit Attributable to Owners of the Company**

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

#### **Capital Structure, Liquidity and Financial Resources**

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

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

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

#### **Gearing Ratio**

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

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

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

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

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

## **BUSINESS REVIEW** *(continued)*

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

*Note:*

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

### **Exposure to fluctuations in exchange rate**

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

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

### **Capital expenditure**

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

### **Charge on assets**

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

### **Contingent liability**

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

### **Capital commitments**

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

## **FUTURE OUTLOOK**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

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

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

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

## **INTERIM DIVIDEND**

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the period under review.

## **RISK MANAGEMENT**

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

## OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the directors and chief executives of the Company in the shares of the Company which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("**SFO**"); or (b) were required under Section 352 of the SFO, to be entered in the register required to be kept by the Company referred to in that section; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchanges were as follows:

#### Long positions of Directors' interests in securities of the Company

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

Note:

- (1) 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.
- (2) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, to the knowledge of the directors of the Company, the following entities (other than a director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

### Long position in the Shares of the Company

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

#### Notes:

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

Save as disclosed above, as at 30 June 2022, no other person (other than the directors or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 14 November 2013 for the purpose of providing incentives and rewards attracting and retaining the best available personnel, providing additional incentive to employees (full-time and part time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers ("**Eligible Participants**") of the Group and promoting the success of the business of the Group and will remain on force for a period of ten years commencing on the adoption date and shall expire at 13 November 2023 subject to early termination provisions contained in the Scheme. The Board may grant options to Eligible Participants to subscribe for shares in the Company subject to the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders approval in advance in a general meeting.

Options granted must be taken up within 7 days inclusive of the day on which offer was made upon payment of HK\$1 by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the options; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

No share option was granted or exercised during the six months ended 30 June 2022. As at 30 June 2022, there was no share option outstanding (31 December 2021: same) under the Scheme.

### **CORPORATE GOVERNANCE CODE**

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the six months ended 30 June 2021 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

#### **Code Provision A.2.1**

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

Mr. Zheng Andy Yi Sheng is the chairman and chief executive officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group’s business is delegated to the senior executives and departments heads, the Board considers that vesting the roles of both chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

#### **Code Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive director and the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

### **CORPORATE GOVERNANCE CODE** *(continued)*

#### **Code Provision C.1.2**

Under Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13. During the Reporting Period, management did not provide the board with monthly updates required under Code Provision C.1.2 of the CG Code. All the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company. The Company has also based on business situation, provided to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

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

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

### **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the period under review, there was no material breach of or noncompliance with the applicable laws and regulations by the Group.

### **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2022, which is of the opinion that such statements comply with the applicable accounting standards, the Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 30 August 2022

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Other comprehensive (loss)/income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences on translation to presentation currency		(19,615)	5,421
<b>Other comprehensive (loss)/income for the period, net of tax</b>		(19,615)	5,421
<b>Total comprehensive (loss)/income for the period</b>		(27,374)	47,619
<b>Total comprehensive (loss)/income attributable to:</b>			
— Owners of the Company		(27,252)	47,986
— Non-controlling interests		(122)	(367)
		(27,374)	47,619
<b>(Losses)/earnings per share attributable to owners of the Company (expressed in HK cent per share)</b>			
— Basic and diluted (losses)/earnings per share	11	HK(1.05) cents	HK6.06 cents

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	34,125	38,501
Right-of-use assets	13	8,400	9,820
Intangible assets	13	65	116
Deferred tax assets		11,201	7,563
Prepayments for non-current assets	14	45,677	978
		<b>99,468</b>	56,978
<b>Current assets</b>			
Inventories		48,204	39,360
Trade receivables	15	252,367	391,054
Contract assets	6	46,133	38,214
Prepayments and other receivables	16	11,882	24,475
Financial assets at fair value through profit or loss	17	60,875	67,758
Restricted cash at banks		28,209	44,539
Cash and cash equivalents	18	88,715	70,599
		<b>536,385</b>	675,999
<b>Total assets</b>		<b>635,853</b>	732,977

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	3,508	3,508
Other reserves		240,505	260,415
Retained earnings		186,071	193,413
		<b>430,084</b>	457,336
<b>Non-controlling interests</b>		<b>(6,641)</b>	(6,519)
<b>Total equity</b>		<b>423,443</b>	450,817
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,106	1,879
Deferred tax liabilities		10,230	10,170
		<b>11,336</b>	12,049
<b>Current liabilities</b>			
Trade and notes payable	20	123,341	204,606
Other payables and accruals	21	29,647	38,584
Contract liabilities	6	531	–
Current income tax liabilities		22,024	24,668
Borrowings	22	23,386	–
Lease liabilities		2,145	2,253
		<b>201,074</b>	270,111
<b>Total liabilities</b>		<b>212,410</b>	282,160
<b>Total equity and liabilities</b>		<b>635,853</b>	732,977

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note 19)	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
<b>Six months ended 30 June 2021</b>						
<b>(Unaudited)</b>						
<b>Balance at 1 January 2021</b>	3,508	245,651	213,557	462,716	(5,778)	456,938
Comprehensive income						
— Profit for the period	–	–	42,499	42,499	(301)	42,198
— Other comprehensive income	–	5,487	–	5,487	(66)	5,421
<b>Total comprehensive income</b>	–	5,487	42,499	47,986	(367)	47,619
Transactions with owners:						
— Transfer to statutory reserves	–	1,317	(1,317)	–	–	–
— Dividends paid	–	–	(28,057)	(28,057)	–	(28,057)
<b>Balance at 30 June 2021</b>	3,508	252,455	226,682	482,645	(6,145)	476,500
<b>Six months ended 30 June 2022</b>						
<b>(Unaudited)</b>						
<b>Balance at 1 January 2022</b>	<b>3,508</b>	<b>260,415</b>	<b>193,413</b>	<b>457,336</b>	<b>(6,519)</b>	<b>450,817</b>
Comprehensive loss						
— Loss for the period	–	–	(7,342)	(7,342)	(417)	(7,759)
— Other comprehensive loss	–	(19,910)	–	(19,910)	295	(19,615)
<b>Total comprehensive loss</b>	–	<b>(19,910)</b>	<b>(7,342)</b>	<b>(27,252)</b>	<b>(122)</b>	<b>(27,374)</b>
<b>Balance at 30 June 2022</b>	<b>3,508</b>	<b>240,505</b>	<b>186,071</b>	<b>430,084</b>	<b>(6,641)</b>	<b>423,443</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from operations	35,476	27,237
PRC enterprise income tax paid	(3,827)	(7,829)
<b>Net cash generated from operating activities</b>	<b>31,649</b>	19,408
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(804)	(629)
Prepayments for non-current assets	(45,119)	–
Disposal of property, plant and equipment	62	19
Decrease/(Increase) in restricted cash at banks	14,825	(10,289)
Loans to third parties	(31,359)	(31,780)
Repayments of loans from third parties	31,359	31,780
Interest received from loans to third parties	–	6,548
Purchase of financial assets at fair value through profit or loss	(68,131)	(92,992)
Net proceed from disposal of financial assets at fair value through profit or loss	66,775	107,886
Interest income from bank deposits	371	315
Interest income from other financial assets	189	610
<b>Net cash (used in)/generated from investing activities</b>	<b>(31,832)</b>	11,468

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Cash flows from financing activities</b>			
Interest paid		(421)	–
Proceeds from borrowings		24,123	–
Principal elements of operating lease payments		(1,223)	(885)
Interests elements of operating lease payments		(116)	(33)
Dividends paid		–	(28,057)
<b>Net cash generated from/(used in) financing activities</b>		<b>22,363</b>	(28,975)
<b>Net increase in cash and cash equivalents</b>		<b>22,180</b>	1,901
Cash and cash equivalents at beginning of the period		70,599	103,281
Effect of change in exchange rate		(4,064)	1,807
<b>Cash and cash equivalents at end of the period</b>	18	<b>88,715</b>	106,989

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Huaxi Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 April 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in (i) manufacture and sales of cigarette packaging materials; and (ii) environmental treatment business in the People’s Republic of China (the “**PRC**”).

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

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

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

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

### **4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

#### **4.1 Financial risk factors**

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

The Interim Financial Information has not included all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

There have been no changes in the risk management policies since period end.

## 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

*(continued)*

### 4.2 Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash at banks, trade receivables, contract assets and other receivables.

#### (i) Risk management

As at 30 June 2022, substantially all (31 December 2021: same) the Group's bank deposits are deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk (31 December 2021: same).

As at 30 June 2022, approximately 80.4% (31 December 2021: 84.0%) of the Group's trade receivables were due from the five largest customers. In respect of trade receivables and other receivables, periodical credit evaluations are performed taking into account the counterparty's financial position, past experience, future economic environment and other factors.

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

## 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

*(continued)*

### 4.3 Fair value estimation

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

	<b>Level 1</b> HK\$'000
<hr/>	
<b>Financial assets at fair value through profit or loss ("FVPL")</b>	
At 30 June 2022 (unaudited)	<b>60,875</b>
<hr/>	
At 31 December 2021 (audited)	67,758
<hr/>	

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.

## 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

*(continued)*

### 4.3 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.

For the six months ended 30 June 2022, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

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

## 5 SEGMENT INFORMATION

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

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

The CODM assesses the performance of the operating segments based on a measure of operating profit or loss excluding other gains or losses arising from financial assets at FVPL.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 SEGMENT INFORMATION *(continued)*

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

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

	Cigarette Packaging Business HK\$'000 (Unaudited)	Environmental Treatment Business HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	The Group HK\$'000 (Unaudited)
Revenue	69,257	8,763	193	78,213
Segment results	16,963	(26,254)	193	(9,098)
Other losses arising from financial assets at FVPL				(5,225)
Operating loss				(14,323)
Finance income — net				5,234
Loss before income tax				(9,089)
Income tax credit				1,330
Loss for the period				(7,759)
Other segment item Depreciation and amortisation	2,870	2,257	—	5,127

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 SEGMENT INFORMATION *(continued)*

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 SEGMENT INFORMATION *(continued)*

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 SEGMENT INFORMATION *(continued)*

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

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

As at 30 June 2022, majority of the Group's non-current assets were located in the PRC (31 December 2021: same).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE

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

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

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

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

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

**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:

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

**(i) Significant changes in contract assets**

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

**(ii) Unsatisfied contracts**

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 EXPENSES BY NATURE

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold	38,104	52,875
Raw materials consumed and subcontracting costs for construction contracts	12,215	86,939
Staff costs (including directors' emoluments)	20,217	19,680
Depreciation and amortisation		
— Amortisation of intangible assets (Note 13)	47	2,248
— Depreciation of property, plant and equipment (Note 13)	3,513	3,671
— Depreciation of right-of-use assets (Note 13)	1,567	945
Utilities	2,709	3,086
Other taxes and surcharge	1,300	1,213
Auditor's remuneration		
— Audit service	1,019	2,186
— Non-audit service	386	311

## 8 OTHER (LOSSES)/GAINS — NET

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

**9 FINANCE INCOME — NET**

	<b>Six months ended 30 June</b>	
	<b>2022 HK\$'000 (Unaudited)</b>	<b>2021 HK\$'000 (Unaudited)</b>
<b>Finance income</b>		
— Interest income from bank deposits	<b>371</b>	315
— Interest income from other financial assets (a)	<b>189</b>	610
— Interest income from third parties	<b>5,211</b>	200
	<b>5,771</b>	1,125
<b>Finance cost</b>		
— Interest expenses on borrowing	<b>(421)</b>	–
— Interest expenses on lease liabilities	<b>(116)</b>	(33)
	<b>(537)</b>	(33)
	<b>5,234</b>	1,092

- (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 2022, all these financial assets were matured (30 June 2021: same).

## 10 INCOME TAX CREDIT/(EXPENSE)

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

The Company's operating subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the assessable profits arising in Hong Kong during the six months ended 30 June 2022. For the six months ended 30 June 2022, the Group is eligible to nominate one Hong Kong incorporated entity in the Group, which is Huge East Investment Limited, to be taxed under a two tiered profits tax rate system, whereby profits tax will be chargeable on the first HKD2,000,000 of assessable profits at 8.25% and assessable profits above this threshold will be subject to a rate of 16.5% (six months ended 30 June 2021: same). Hong Kong profits tax of the other Hong Kong incorporated group entities has been provided for at a rate of 16.5% on the estimated assessable profits. The profit of the other Hong Kong incorporated group entities is mainly derived from dividend income from subsidiaries and interest income from banks, which is not subject to Hong Kong profits tax.

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

On 1 December 2020, Shantou Xinda Colour Printing & Packaging Material Co. Ltd. ("**Shantou Xinda**"), the Group's subsidiary in the PRC, successfully renewed the High and New Technology Enterprise Certificate ("**the Certificate**") which was effective for three years commencing on 1 January 2020. As there is no change to the relevant laws and regulations, the directors assess and consider that Shantou Xinda will continue to be granted the preferential tax treatment through an application of renewal. Accordingly, a tax rate of 15% has been applied when considering current income tax for the period and the deferred income tax for the six months ended 30 June 2022 (six months ended 30 June 2021: 15%).

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

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

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

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

## 11 (LOSSES)/EARNINGS PER SHARE

### (a) Basic

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

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

### (b) Diluted

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

## 12 DIVIDENDS

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

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

	<b>Property, plant and equipment</b> HK\$'000 (Unaudited)	<b>Intangible assets</b> HK\$'000 (Unaudited)	<b>Right- of-use assets</b> HK\$'000 (Unaudited)
<b>At 1 January 2021</b>			
Cost	111,407	19,435	12,066
Accumulated depreciation	(69,015)	(15,740)	(4,577)
Net book amount	42,392	3,695	7,489
<b>Six months ended 30 June 2021</b>			
Opening net book amount	42,392	3,695	7,489
Additions	629	–	471
Disposals	(19)	–	(516)
Depreciation	(3,671)	(2,248)	(945)
Currency translation differences	495	34	70
Closing net book amount	39,826	1,481	6,569
<b>At 30 June 2021</b>			
Cost	113,313	19,657	11,934
Accumulated depreciation	(73,487)	(18,176)	(5,365)
Net book amount	39,826	1,481	6,569

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

	<b>Property, plant and equipment</b> HK\$'000 (Unaudited)	<b>Intangible assets</b> HK\$'000 (Unaudited)	<b>Right- of-use assets</b> HK\$'000 (Unaudited)
<b>At 1 January 2022</b>			
Cost	<b>117,463</b>	<b>17,560</b>	<b>17,318</b>
Accumulated depreciation	<b>(78,962)</b>	<b>(17,444)</b>	<b>(7,498)</b>
Net book amount	<b>38,501</b>	<b>116</b>	<b>9,820</b>
<b>Six months ended 30 June 2022</b>			
Opening net book amount	<b>38,501</b>	<b>116</b>	<b>9,820</b>
Additions	<b>804</b>	<b>–</b>	<b>528</b>
Disposals	<b>(62)</b>	<b>–</b>	<b>–</b>
Depreciation	<b>(3,513)</b>	<b>(47)</b>	<b>(1,567)</b>
Currency translation differences	<b>(1,605)</b>	<b>(4)</b>	<b>(381)</b>
Closing net book amount	<b>34,125</b>	<b>65</b>	<b>8,400</b>
<b>At 30 June 2022</b>			
Cost	<b>113,019</b>	<b>16,788</b>	<b>13,938</b>
Accumulated depreciation	<b>(78,894)</b>	<b>(16,723)</b>	<b>(5,538)</b>
Net book amount	<b>34,125</b>	<b>65</b>	<b>8,400</b>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**14 PREPAYMENTS FOR NON-CURRENT ASSETS**

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Prepayment for an intangible asset	<b>11,693</b>	12,231
Prepayments for property, plant and equipment	<b>45,677</b>	978
	<b>57,370</b>	13,209
Less: provision for impairment of prepayment for an intangible asset	<b>(11,693)</b>	(12,231)
	<b>45,677</b>	978

**15 TRADE RECEIVABLES**

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 TRADE RECEIVABLES *(continued)*

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

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

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

## 16 PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Prepayments	<b>4,109</b>	1,421
Other receivables (a)	<b>7,954</b>	23,578
Less: allowance for impairment of other receivables	<b>(181)</b>	(524)
	<b>11,882</b>	24,475

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Denominated in RMB	<b>7,590</b>	23,207
Denominated in HK\$	<b>364</b>	371
	<b>7,954</b>	23,578

## 17 FINANCIAL ASSETS AT FVPL

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Listed securities — held for trading		
— Equity securities — denominated in HK\$	<b>11,305</b>	16,260
— Equity securities — denominated in RMB	<b>49,570</b>	51,498
	<b>60,875</b>	67,758

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Denominated in RMB	<b>82,630</b>	65,814
Denominated in HK\$	<b>6,085</b>	4,449
Denominated in US\$	–	336
	<b>88,715</b>	70,599

The Group's cash and bank balances of HK\$82,630,000 (31 December 2021: HK\$65,814,000) denominated in RMB were deposited with banks in the PRC. The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 19 SHARE CAPITAL

<b>Authorised share capital</b>	<b>Number of ordinary shares</b>	HK\$
At 31 December 2021 and 30 June 2022	4,000,000,000	20,000,000

<b>Ordinary shares, issued and fully paid:</b>	<b>Number of issued shares</b>	<b>Share capital HK\$</b>
At 31 December 2021 and 30 June 2022	701,430,000	3,507,750

## 20 TRADE AND NOTES PAYABLE

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**21 OTHER PAYABLES AND ACCRUALS**

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Other tax payables	<b>19,047</b>	24,962
Accrual for staff costs and allowances	<b>6,327</b>	8,944
Other payables	<b>4,273</b>	4,678
	<b>29,647</b>	38,584

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Denominated in RMB	<b>28,765</b>	38,265
Denominated in HK\$	<b>882</b>	319
	<b>29,647</b>	38,584

**22 BORROWINGS**

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 23 COMMITMENTS

### (a) Capital Commitments

As at 30 June 2022 and 31 December 2021, the Group had the following capital commitments:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Capital expenditure in respect of the addition of property and equipment contracted for but not provided	3,351	1,341

## 24 RELATED PARTY TRANSACTIONS

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

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

### (b) Balances with related parties

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Lease liabilities		
— Mr. Zheng Andy Yi Sheng (i)	459	938
Other payables (ii)		
— Mr. Zheng Andy Yi Sheng	—	19
— Mr. Zheng Minsheng	—	54
	—	73

**24 RELATED PARTY TRANSACTIONS** *(continued)*

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

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

**(c) Key management compensations**

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2021 HK\$'000 (Unaudited)
Salaries and other employee benefits	<b>2,001</b>	2,447
Contribution to pension plans	<b>48</b>	69
	<b>2,049</b>	2,516

**(d) Transaction with related parties**

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2021 HK\$'000 (Unaudited)
Interest expenses on lease liabilities — Mr. Zheng Andy Yi Sheng <i>(Note (b)(i))</i>	<b>25</b>	1

**25 SUBSEQUENT EVENT**

In July 2022, Shantou Xinda offered unsecured loans amounting to RMB9,800,000 (equivalent to HK\$11,466,000) to an independent third party, with an interest rate of 18% per annum, maturing by December 2022. As of the date of this report, the amount is still outstanding and not yet due for repayment.