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HUAXI HOLDINGS COMPANY LIMITED

華禧控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1689)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

FINANCIAL HIGHLIGHTS

- Revenue increased by 4.9% to HK\$65.70 million
- Gross profit increased by 120.3% to HK\$19.89 million
- Operating loss decreased by 92.6% to HK\$1.57 million
- Loss attributable to owners of the Company decreased by 89.0% to HK\$2.30 million
- Basic losses per share decreased by 89.0% to HK0.33 cents
- No interim dividend was proposed for the six months ended 30 June 2025 (for the six months ended 30 June 2024: nil).

The board of directors (the “**Board**”) of Huaxi Holdings Company Limited (the “**Company**”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025 (the “**Reporting Period**” or “**FP2025**”), together with its comparative figures for the corresponding period in 2024 (“**FP2024**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		Six months ended 30 June	
		2025	2024
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	65,702	62,615
Cost of sales	5	(45,816)	(53,590)
Gross profit		19,886	9,025
Distribution costs	5	(471)	(276)
Administrative expenses	5	(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	6	334	(11,775)
Operating loss		(1,566)	(21,241)
Finance income/(cost) – net		223	(118)
Loss before income tax		(1,343)	(21,359)
Income tax (expense)/credit	7	(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)

	<i>Note</i>	Six months ended 30 June	
		2025	2024
		HK\$'000 (Unaudited)	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		<u>4,112</u>	<u>(2,643)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>4,112</u>	<u>(2,643)</u>
Total comprehensive income/(loss) for the period		<u>1,789</u>	<u>(23,689)</u>
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		<u>1,919</u>	<u>(23,672)</u>
– Non-controlling interests		<u>(130)</u>	<u>(17)</u>
		<u>1,789</u>	<u>(23,689)</u>
Losses per share attributable to owners of the Company (expressed in HK cent per share)			
– Basic and diluted losses per share	8	<u>HK(0.33) cents</u>	<u>HK(2.99) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. GENERAL INFORMATION

The Company 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 are principally engaged in (i) manufacturing and sales of cigarette packaging materials (the “**Cigarette Packaging Business**”); and (ii) environmental and ecological restoration treatment business (the “**Environmental Treatment Business**”) in the People’s Republic of China (the “**PRC**” or “**China**”).

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 2025 (“**Interim Financial Information**”) is presented in thousands of Hong Kong dollar (“**HK\$**”), unless otherwise stated.

2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (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 below.

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

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. 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 fair value through profit or loss (“**FVPL**”), share of loss of an associate accounted for using the equity method and net impairment losses on financial and contract assets.

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

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

- (a) The segment results and other segment items of the Group for the 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

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

	Cigarette Packaging Business <i>HK\$'000</i> (Unaudited)	Environmental Treatment Business <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	The Group <i>HK\$'000</i> (Unaudited)
Revenue	<u>58,445</u>	<u>4,069</u>	<u>101</u>	<u>62,615</u>
Segment results	<u>4,077</u>	<u>(14,572)</u>	<u>101</u>	<u>(10,394)</u>
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				<u>(10,830)</u>
Operating loss				(21,241)
Finance cost – net				<u>(118)</u>
Loss before income tax				(21,359)
Income tax credit				<u>313</u>
Loss for the period				<u><u>(21,046)</u></u>
<i>Other segment item</i>				
Depreciation and amortisation	<u>3,835</u>	<u>1,130</u>	<u>–</u>	<u>4,965</u>

(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

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

4. REVENUE

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

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	2024
	HK\$'000	HK\$'000
	(Unaudited)	(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)

(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
<i>Less: loss allowance</i>	(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.

5. 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	2,698	3,565
– Depreciation of right-of-use assets	1,037	1,033
– Depreciation of investment properties	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

6. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(Unaudited)	(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)
	<u>334</u>	<u>(11,775)</u>

7. 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 rate regime. For this subsidiary, profits tax will be chargeable at 8.25% on the first HK\$2,000,000 of assessable profits and the remaining assessable profits will be subject to a rate of 16.5% (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 Packing Colour Printing & Packaging Material Company Limited ("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 of the Company (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.

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	2024
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	(416)	–
Deferred income tax	<u>(564)</u>	<u>313</u>
	<u>(980)</u>	<u>313</u>

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

8. 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	2024
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	(2,295)	(20,987)
Weighted average number of ordinary shares in issue	<u>701,430,000</u>	<u>701,430,000</u>
Basic losses per share	<u>HK(0.33) cents</u>	<u>HK(2.99) cents</u>

(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).

9. DIVIDEND

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

10. 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	<u>144,497</u>	<u>143,601</u>

(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
	<u>207,723</u>	<u>202,485</u>

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

11. 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
	<u>101,774</u>	<u>109,265</u>

(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
	<u>66,729</u>	<u>73,364</u>

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

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	<u>60,298</u>	<u>100.0</u>	<u>58,445</u>	<u>100.0</u>

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.

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.

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.

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).

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 United States dollars.

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	<u>15,139</u>	<u>10,911</u>

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

Borrowings and gearing ratio

As at 31 December 2024, the Group's borrowings of approximately HK\$10.26 million 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.

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.

COMPLIANCE WITH THE 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 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 as set out in Part 2 of Appendix C1 of the Listing Rules (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 independent non-executive Directors ("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 of the Company, in response to the amendments to the CG Code which took effect from 1 July 2025.

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.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed the interim results of the Group for the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.huaxihds.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2025 containing all the information required by the Listing Rules shall be dispatched to the shareholders of the Company and made available on the aforesaid websites in due course.

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

Hong Kong, 29 August 2025

As at the date of this announcement, the Board comprises Mr. Zheng Andy Yi Sheng, Mr. Zheng Minsheng and Ms. Zheng Catherine Jia Lin as executive Directors; and Mr. Lau Kwok Hung, Mr. Fok Po Tin and Mr. Cai Xiaowen as independent non-executive Directors.