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**NAMYUE HOLDINGS LIMITED**

**南粵控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 01058)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

**Unaudited financial highlights for the six months ended 30 June**

	<b>2024</b>	<b>2023</b>	<b>Changes</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
<b>Revenue</b>	<u>42,118</u>	<u>38,585</u>	+9.2
<b>Loss attributable to shareholders</b>	<u>(5,999)</u>	<u>(21,653)</u>	+72.3
<b>Loss per share - Basic</b>	<u>HK(1.12)cents</u>	<u>HK(4.02)cents</u>	+72.1

**CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board of directors (the "Board") of Namyue Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2024 together with comparative figures for the corresponding period in 2023. These results have not been audited, but have been reviewed by the Company's audit committee (the "Audit Committee") and the independent auditor, ZHONGHUI ANDA CPA Limited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2024</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Revenue</b>	3	<b>42,118</b>	38,585
Cost of sales		<u>( 36,756)</u>	<u>( 43,251)</u>
<b>Gross profit/(loss)</b>		<b>5,362</b>	( 4,666)
Other income and gains, net	4	<b>534</b>	355
Selling and distribution expenses		( 446)	( 827)
Administrative expenses		( 10,533)	( 14,462)
Impairment on items of plant and equipment		( 396)	( 782)
Other operating expenses	4	( 417)	( 1,200)
Finance costs	5	<u>( 295)</u>	<u>( 228)</u>
<b>LOSS BEFORE TAX</b>	6	<b>( 6,191)</b>	( 21,810)
Income tax credit	7	<u>192</u>	<u>157</u>
<b>LOSS FOR THE PERIOD</b>		<u><b>( 5,999)</b></u>	<u>( 21,653)</u>
<b>LOSS PER SHARE</b>	8		
- Basic		<u><b>HK(1.12) cents</b></u>	<u>HK(4.02) cents</u>
- Diluted		<u><b>HK(1.12) cents</b></u>	<u>HK(4.02) cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>LOSS FOR THE PERIOD</b>	( 5,999)	( 21,653)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES)</b>		
Other comprehensive income/(expenses) that will not be reclassified to the profit or loss in subsequent periods:		
Surplus on revaluation of buildings	1,076	778
Income tax effect	<u>( 269)</u>	<u>( 195)</u>
	<u>807</u>	<u>583</u>
Other comprehensive expenses that may be reclassified to the profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>( 423)</u>	<u>( 3,830)</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX</b>	<u>384</u>	<u>( 3,247)</u>
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<u><u>( 5,615)</u></u>	<u><u>( 24,900)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**30 JUNE 2024**

	<i>Notes</i>	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		39,381	40,248
Right-of-use assets		<u>10,571</u>	<u>10,795</u>
		<u>49,952</u>	<u>51,043</u>
<b>CURRENT ASSETS</b>			
Inventories		39,606	50,457
Receivables, prepayments and deposits	10	27,219	26,873
Pledged bank balances		1,456	25
Cash and bank balances		<u>3,109</u>	<u>7,139</u>
		<u>71,390</u>	<u>84,494</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	39,460	34,113
Other payables, accruals and provision		28,751	27,896
Interest-bearing bank borrowings		-	14,811
Due to a PRC joint venture partner		<u>1,131</u>	<u>1,131</u>
		<u>69,342</u>	<u>77,951</u>
<b>NET CURRENT ASSETS</b>		<u>2,048</u>	<u>6,543</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>52,000</u>	<u>57,586</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables, accruals and provision		34	81
Deferred tax liabilities		<u>4,670</u>	<u>4,594</u>
		<u>4,704</u>	<u>4,675</u>
<b>Net assets</b>		<u>47,296</u>	<u>52,911</u>
<b>EQUITY</b>			
Share capital		75,032	75,032
Reserves		<u>( 27,736)</u>	<u>( 22,121)</u>
<b>Total equity</b>		<u>47,296</u>	<u>52,911</u>

*Notes:*

**(1) ACCOUNTING POLICIES**

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The unaudited interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are the same as those used in the annual consolidated financial statements for the year ended 31 December 2023. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective.

The financial information relating to the year ended 31 December 2023 that is included in this unaudited interim condensed financial information for the six months ended 30 June 2024 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those consolidated financial statements for the year ended 31 December 2023. The auditor's report was unqualified; include a reference to material uncertainty related to going concern which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

## (2) OPERATING SEGMENT INFORMATION

No separate analysis of segment information is presented by the Group as over 90% of the Group's revenue, results and assets relate to the processing and sale of semi-finished and finished leather, and subcontracted leather processing in the People's Republic of China (the "PRC" or "Mainland China").

### Information about major customers

The revenue from customers individually contributed over 10% of the consolidated revenue of the Group are as follows:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Customer A	4,465	N/A*
Customer B	<u>N/A*</u>	<u>5,478</u>

\* The revenue from Customer B (six months ended 30 June 2023: Customer A) contributed not over 10% of the Group's revenue each individually for the six months ended 30 June 2024, therefore the amounts are not disclosed.

## (3) REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of processed leather	28,606	35,445
Subcontracted leather processing	<u>13,512</u>	<u>3,140</u>
	<u>42,118</u>	<u>38,585</u>

Revenue is recognized when goods are transferred at a point in time to customers.

**(4) OTHER INCOME AND GAINS, NET AND OTHER OPERATING EXPENSES**

*(a) Other income and gains, net*

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Finance income	<b>6</b>	15
Sale of scrap materials in mainland China	<b>900</b>	346
Government grants	-	6
Gains on disposal of property, plant and equipment	<b>124</b>	-
Net exchange losses	<b>( 69)</b>	( 11)
Others	<b>( 427)</b>	( 1)
	<b><u>534</u></b>	<u>355</u>

*(b) Other operating expenses*

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Impairment of trade receivables	<b><u>417</u></b>	<u>1,200</u>

**(5) FINANCE COSTS**

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Bank loans and discounting bills receivable to banks	<b>292</b>	227
Lease liabilities	<b><u>3</u></b>	<u>1</u>
	<b><u>295</u></b>	<u>228</u>

**(6) LOSS BEFORE TAX**

The Group's loss before tax is stated at after charging the following:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Cost of inventories sold*	47,207	41,302
Depreciation of property, plant and equipment	1,650	1,628
Depreciation for right-of-use assets	148	151
Impairment on items of plant and equipment	396	782
(Reversal of provision)/provision for inventories*	<u>( 10,451)</u>	<u>2,219</u>

\* These items are included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

**(7) INCOME TAX CREDIT**

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil). Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in Mainland China in which the Group operates.

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Group - Mainland China		
Provision for the period	-	5
Deferred tax	<u>( 192)</u>	<u>( 162)</u>
	<u>( 192)</u>	<u>( 157)</u>

**(8) LOSS PER SHARE**

The calculation of basic loss per share amounts is based on the loss for the period of HK\$5,999,000 (six months ended 30 June 2023: HK\$21,653,000) and the weighted average number of ordinary shares of 538,019,000 (30 June 2023: 538,019,000) in issue during the six months ended 30 June 2024.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2024 and 2023 in the calculation of diluted loss per share as there were no dilutive events during the six months ended 30 June 2024 and 2023.

(9) **DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(10) **RECEIVABLES, PREPAYMENTS AND DEPOSITS**

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Trade receivables	<b>23,200</b>	21,629
Bills receivables	<b>2,928</b>	4,460
Prepayments, deposits and other receivables	<b>1,091</b>	784
	<b><u>27,219</u></b>	<u>26,873</u>

The Group's trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended to 150 days. Each customer has a maximum credit limit. The Group seeks to maintain tight control over its outstanding receivables in order to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of trade and bills receivables approximate their fair values.

An ageing analysis of the trade and bills receivables as at the end of reporting period, based on the invoice date, is as follows:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 3 months	<b>20,802</b>	20,777
3 to 6 months	<b>3,364</b>	374
6 to 12 months	<b>4,306</b>	5,000
1 to 2 years	<b>2,328</b>	4,225
	<b>30,800</b>	30,376
Impairment	<b>( 4,672)</b>	( 4,287)
	<b><u>26,128</u></b>	<u>26,089</u>

**(11) TRADE AND BILLS PAYABLES**

An aging analysis of the trade payables as at the end of reporting period, based on the date of receipt of goods, is as follows:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 3 months	<b>8,884</b>	6,745
3 to 6 months	<b>3,357</b>	9,052
Over 6 months	<u><b>22,420</b></u>	<u>18,316</u>
Trade payables	<b>34,661</b>	34,113
Bills payables	<u><b>4,799</b></u>	<u>-</u>
	<u><b>39,460</b></u>	<u>34,113</u>

The trade payables of the Group are non-interest-bearing and are normally settled on terms of 90 days. The carrying amounts of trade and bills payables approximate their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

The unaudited consolidated loss attributable to shareholders of the Group for the six months ended 30 June 2024 was HK\$5,999,000, representing a decrease in loss of HK\$15,654,000 or 72.3% from HK\$21,653,000 for the corresponding period last year.

The unaudited net asset value of the Group as at 30 June 2024 was HK\$47,296,000, representing a decrease of HK\$5,615,000 and HK\$47,817,000 respectively as compared to the net asset value as at 31 December 2023 and 30 June 2023.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

### Business Review

The domestic market for footwear leather was generally sluggish. Some enterprises have resorted to low pricing strategies to boost their market share, leading to fierce market competition and declining profits. With consumption downgrading and increasingly diverse and personalized consumer demands, enterprises need to continuously innovate and improve their existing product quality and service levels to meet market demand. In 2024, the Group continued to persist with high-quality development plan and make every effort to promote business model transformation in different aspects, with focus on reducing inventory and costs, as well as introducing and expanding subcontracting business. By strengthening the entire management process and enhancing the ability to respond to the market, the Group can pave the way for future high-quality growth. In May 2024, the Group was successfully certified by the LWG Environmental Auditing Protocol and was accredited with the Gold Rating, marking new progress in the brand development as a listed company. The certification not only strengthened customer confidence and expanded the subcontracting volume but also helped better align our management standards with international standards, laying a solid foundation for our products to penetrate the European and American markets.

During the period, with the reorganization of the operation and sales teams, the Group made unremitting efforts to continue to promote sales and reduction of inventory through diversified channels, realizing the conversion of inventory into cash flow. In addition, some of the substandard and unsatisfactory inventory from last year were sold at the best price to achieve the goals set at the beginning of the year, and the reversal of provision for inventories was increased, resulting in an increase in the gross profit margin from -12.1% for the corresponding period last year to 12.7% for the period, turning a gross loss into a profit. Together with the reduction of administrative expenses, the Group's operating loss was significantly curtailed by 72.3% compared to the corresponding period last year. This effectively curbed the downward trend of the operating situation, achieving the expected goals of stabilizing operations and production, and enhancing operating capabilities and improving business quality steadily.

During the period, the Group implemented a range of in-depth initiatives aligned with its overarching objectives of maximizing internal potential for environmental protection, energy conservation and consumption reduction. For steam savings, the sewage treatment station adopted insulation measures and replaced steam heating on the production lines with air energy-saving equipment, thereby reducing steam-related costs. In terms of water conservation, the sewage treatment station eliminated the use of tap water for well flushing during sewage treatment. This overcame the traditional notion that high-concentration wastewater cannot be processed by the sewage system, saving approximately 300 tons of water per day. Regarding electricity, the Group adopted staggered production shifts to avoid high summer temperatures and reduce electricity expenses. For equipment, by transforming the rotary drums into heavy-duty models which increased the production output while decreasing the labor and electricity costs, the Group strived to turn energy conservation and consumption reduction into economic benefits for the Company.

During the period, the total production volume of cowhides was 1,679,000 sq. ft., representing a decrease of 489,000 sq. ft. or 22.6% as compared to 2,168,000 sq. ft. for the corresponding period last year. The production volume of grey hides was 384 tons, representing a decrease of 403 tons or 51.2% as compared to 787 tons for the corresponding period last year. The production volume of subcontracting business was 6,312,000 sq. ft., representing an increase of 5,072,000 sq. ft. or 409.0% as compared to 1,240,000 sq. ft. for the corresponding period last year.

During the period, the total sales volume of cowhides was 2,798,000 sq. ft., representing an increase of 390,000 sq. ft. or 16.2% as compared to 2,408,000 sq. ft. for the corresponding period last year. The sales volume of grey hides was 384 tons, representing a decrease of 403 tons or 51.2% as compared to 787 tons for the corresponding period last year. The sales volume of subcontracting business was 6,312,000 sq. ft., representing an increase of 5,072,000 sq. ft. or 409.0% as compared to 1,240,000 sq. ft. for the corresponding period last year.

During the period, the consolidated revenue of the Group was HK\$42,118,000, representing an increase of HK\$3,533,000 or 9.2% from HK\$38,585,000 for the corresponding period last year, of which the sales value of cowhides amounted to HK\$26,467,000 (six months ended 30 June 2023: HK\$31,416,000), representing a decrease of 15.8%; and that of grey hides and other products amounted to HK\$2,139,000 (six months ended 30 June 2023: HK\$4,029,000), representing a decrease of 46.9%; and that of subcontracting business amounted to HK\$13,512,000 (six months ended 30 June 2023: HK\$3,140,000), representing an increase of 330.3%.

In view of the current sluggish footwear leather market, the Group continued to strengthen research and development and production, relentlessly iterate and innovate, and form special teams to focus on business development, refine warehouse inventory, sort out the long-term inventory overstock in the production lines, and subdivide it according to leather nature and looseness. Combined with the current condition and characteristics of different types of inventory and the needs of market customers, the Group differentiated, re-planned and adjusted the product development directions so as to boost sales volume. At the same time, by adjusting the structure of finished products, the Group strengthened product quality control, improved product quality rate, and increased product selling prices as well as overall sales revenue. In 2024, the Group implemented the development idea of expanding the subcontracting business. To maximize the utilization of the Group's equipment, technology and sewage treatment advantages, the Group explored subcontracting customers to increase revenue and fulfilled the basic production volume. The production volume significantly improved, and the entire production process was driven by the subcontracting business, achieving the purpose of diluting unit fixed manufacturing costs, effectively supporting the stability of the production organization and workforce of each process, and bringing positive gross profit impact to the Group.

Cost optimization has been one of the Group's main strategies during the period. Through the reorganization of work tasks and positions and the implementation of integration, labor costs have been further reduced. The Group has strengthened production cost tracking and assessment, formulated assessment plans focusing on achieving production and operation goals, and conducted salary-linked assessments in respect of production volume, quality, leather yield, water, electricity and gas costs, and safety production, greatly enhancing the motivation of employees. The Group has adopted a sunshine procurement platform to purchase raw materials, selected the best suppliers, and reduced the procurement price to varying degrees. The Group has sorted out the long-term cooperative chemical materials suppliers, strengthened cooperation with well-known domestic large chemical materials suppliers, reduced chemical materials procurement costs through bulk purchasing, and enhanced the competitiveness. The Group has actively carried out process optimization, reduced the variety of chemical materials used, and conducted comparative tests on the cost effectiveness of chemical materials to lay the foundation for price negotiation and comparison by the purchasing center. In addition, the Group has sought out well-known technical personnel from various sources to provide technical services, optimize product structure, increase product added value, and strive to reduce the cost of chemical materials. During the period, the Group mainly purchased cowhides in a targeted manner based on sales orders. In the meantime, the Group continued to have inventory reduction funds revitalization, and positive cash flow as a priority. For the six months ended 30 June 2024, the total procurement amount was HK\$12,722,000, representing a decrease of 66.4% as compared with the same period last year.

As at 30 June 2024, the Group's consolidated inventory amounted to HK\$39,606,000 (31 December 2023: HK\$50,457,000), representing a decrease of HK\$10,851,000 or 21.5% as compared to that as at 31 December 2023. With destocking as its target and achieving positive cash flow as its primary task, the Group continued to firmly digest inventory from a long-term strategic perspective. During the period, inventory management and product development were strengthened, and aged inventory was sold with all efforts through research on craft and product rectification and integration. Focusing on solving the problem of inventory overstock, the inventory structure has improved from the end of last year. The Group has reassessed the value of inventories based on its ageing and net realizable value and made a net reversal of provision for inventories of HK\$10,451,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: a net provision for inventories of HK\$2,219,000).

As at 30 June 2024, the Group's property, plant and equipment amounted to HK\$39,381,000 (31 December 2023: HK\$40,248,000), representing a decrease of HK\$867,000 or 2.2% as compared to that as at 31 December 2023. In view of the loss on the Group's operating results during the period, the recoverable amount of plant and equipment was calculated by using value in use based on the discounted cash flow method, and an impairment loss on plant and equipment of HK\$396,000 was made for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$782,000).

## **Financial Review**

### **Liquidity and Financial Resources**

As at 30 June 2024, the Group's cash and cash equivalents amounted to HK\$3,109,000 (31 December 2023: HK\$7,139,000), representing a decrease of HK\$4,030,000 or 56.5% as compared to 31 December 2023, of which 7.3% were in Hong Kong dollars, 91.0% in Renminbi and 1.7% in United States dollars. Net cash inflow from operating activities for the period was HK\$12,075,000, which was mainly attributable to the decrease in inventories, resulting in an increase in net cash inflow. Net cash outflow from investing activities was HK\$1,729,000, which was mainly attributable to the increase in pledged bank balances and payment for renovations and purchase of equipment. Net cash outflow from financing activities was HK\$14,346,000, which was mainly attributable to the increase in repayment of bank borrowings.

As at 30 June 2024, the Group had no interest-bearing borrowing (31 December 2023: HK\$14,811,000, of which interest-bearing loan in Renminbi amounted to HK\$14,346,000 and interest-bearing borrowings in US dollars amounted to HK\$465,000). The Group's banking facilities secured by pledged bank balances, buildings and right-of-use assets of HK\$46,761,000 in total, charged at a floating rate.

As at 30 June 2024, the Group's gearing ratio of interest-bearing borrowings to shareholders' equity plus interest-bearing borrowings was nil (31 December 2023: 21.9%). The annual interest rate of loan interest and discount interest during the period was approximately 1.7% to 5.5%. During the period, the Group's interest expenses amounted to HK\$295,000, representing an increase of 29.4% as compared to the corresponding period of last year, which was mainly attributable to the increase in borrowings.

As at 30 June 2024, the Group's total banking facilities amounted to HK\$38,350,000, all of which were unutilized, while as at 31 December 2023, the Group's banking facilities amounted to HK\$44,140,000, of which utilized interest-bearing bank borrowings of HK\$14,811,000 was under such facilities. Taking into account the existing cash resources and available credit facilities, the Group has sufficient financial resources to meet its daily operational requirements.

### **Capital Expenditure**

As at 30 June 2024, the net amount of non-current assets including property, plant and equipment and right-of-use assets amounted to HK\$49,952,000, representing a decrease of HK\$1,091,000 over the net value of HK\$51,043,000 as at 31 December 2023. The capital expenditure for the period amounted to HK\$415,000 (six months ended 30 June 2023: HK\$827,000) in total, which was mainly attributable to the payment of renovations as well as acquisition of equipment to meet the production needs of the Group.

### **Pledge of Assets**

As at 30 June 2024, the Group's bank deposits of HK\$1,456,000 (31 December 2023: HK\$25,000), buildings of HK\$34,734,000 (31 December 2023: HK\$35,522,000) and right-of-use assets of HK\$10,571,000 (31 December 2023: HK\$10,795,000) were pledged to a bank to secure general banking facilities.

### **Foreign Exchange Exposure**

The assets, liabilities and transactions of the Group are basically denominated in Hong Kong dollars, United States dollars or Renminbi. The Group is exposed to foreign currency risk primarily from purchases from overseas suppliers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States dollars against Renminbi. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the period. Should the Group consider that its exposure to foreign currency risk justifies hedging, it may use forward or hedging contracts to reduce the risks.

## **Remuneration Policy for Employees**

As at 30 June 2024, the Group had 283 staff (31 December 2023: 288). The Group's remuneration policy is based on its operating results and the employees' performance. The Group has adopted a performance-based quantitative appraisal scheme for its employees and established an operation assessment mechanism focusing on "accountability and performance". Based on the Group's operating efficiency, the incentive scheme provides bonuses to the management, key officers and outstanding employees according to different ranking and individual performance, which effectively motivates employees to make contribution. In addition, the Group offered social and medical insurance coverage and pension schemes to all employees in different areas.

## **Prospects**

Although the tanning industry, as a traditional basic industry, has been under pressure in recent years and many small and medium-sized tanneries in the industry have withdrawn from the market, still mainland China has a superscale market with a population of 1.4 billion. After the tanning industry eliminates excess production capacity, the surviving tanneries will usher in opportunities for further development. In the second half of 2024, the Group will continue to maintain healthy production momentum. On the one hand, we will work to reduce inventory, develop bag leather and military business lines, and keep pace with evolving consumer demands. In view of the current status of inventory products, we will lead research and development and production through product innovation and production process reengineering. On the other hand, we will increase our proportion of subcontracting business, enhance customer service in processing, and cultivate new competitive advantages. In addition, we will pursue comprehensive efforts in cost reduction, energy conservation and resource consumption reduction. Management measures will be continually refined to enhance our management standards, further deepening our production and operation management. Production processes will be scrutinized for spotting deficiencies and various quality control checkpoints. Data analysis will be leveraged to boost management precision and effectiveness, aiming to overcome the current challenges. These can ensure steady operations amid the complex economic landscape and strive for further loss reduction, preparing the Group for future market opportunities. Additionally, the Group will explore diverse business prospects to broaden its income streams and diversify operations, which in turn can bolster its long-term growth potential and deliver greater value to its shareholders.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Corporate Governance Code**

In the opinion of the Directors, the Company had complied with the code provisions and, where appropriate, the applicable recommended best practices in the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the six months ended 30 June 2024, save for the deviation explained below:

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

Under the Code Provision C.2.1, there should be a clear division of responsibilities for the roles of chairman and chief executive officer and these two roles should be performed by two persons (the Company regards that the term “chief executive officer” has the same meaning as the Managing Director of the Company). On 20 October 2023, Mr. Sun Jun resigned as an Executive Director and the Managing Director of the Company. Since then, Mr. Zhou Hao, the Chairman of the Company, has taken up the duties of the Managing Director temporarily while the Company is in the process of identifying the new Managing Director.

#### **Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all the Directors of the Company, all Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2024.

#### **Review of Interim Results**

The unaudited interim results of the Group for the six months ended 30 June 2024 have been reviewed by the Audit Committee of the Company and ZHONGHUI ANDA CPA Limited, the independent auditor of the Company.

#### **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange during the six months ended 30 June 2024.

## **Publication of Interim Results and Interim Report**

This interim results announcement is published on the websites of the Company ([www.namyueholdings.com](http://www.namyueholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2024 will be despatched to the shareholders of the Company and made available on the abovementioned websites around 20 September 2024.

By Order of the Board  
**Zhou Hao**  
*Chairman and Managing Director*

Hong Kong, 19 August 2024

*As at the date of this announcement, the Board comprises two Executive Directors, namely, Mr. Zhou Hao and Mr. Liao Siyang; two Non-Executive Directors, namely, Mr. Huang Junfeng and Mr. Kuang Hu; and three Independent Non-Executive Directors, namely, Mr. Yeung Man Lee, Mr. Leung Luen Cheong and Mr. Yang Ge.*