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**ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED**

**正業國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 3363)**

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

**FINANCIAL HIGHLIGHT**

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	<b>1,161,830</b>	1,164,940
Gross Profit Margin	<b>14.08%</b>	11.31%
EBITDA	<b>110,867</b>	71,397
Profit (loss) and total comprehensive income (expense) for the period attributable to the owners of the Company	<b>15,026</b>	(15,583)
Return (loss) on equity attributable to the owners of the Company for the period	<b>1.36%</b>	(1.42%)
Basic earnings (loss) per share – RMB	<b>3 cents</b>	(3) cents

The board of directors (the “**Board**”) of Zhengye International Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**period**” or the “**period under review**”) together with the comparative figures for the corresponding period in 2023 as set out below:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	3	1,161,830	1,164,940
Cost of sales		(998,232)	(1,033,234)
Gross profit		163,598	131,706
Other income	4	34,170	27,806
Net value of reversal of impairment loss		(101)	(1,402)
Other gains and losses	5	(1,591)	(611)
Distribution and selling expenses		(46,800)	(43,778)
Administrative and other expenses		(66,391)	(67,499)
Finance costs	6	(23,135)	(26,100)
Other expenses		(314)	(714)
Research and development expenses		(40,198)	(39,294)
Profit (loss) before tax	7	19,238	(19,886)
Income tax (expense) credit	8	(851)	440
Profit (loss) and total comprehensive income (expense) for the period		<u>18,387</u>	<u>(19,446)</u>
<b>Profit (Loss) and Total Comprehensive Income (Expense) for the Period</b>			
<b>Attributable to:</b>			
Owners of the Company		15,026	(15,583)
Non-controlling interests		3,361	(3,863)
		<u>18,387</u>	<u>(19,446)</u>
<b>Earnings (Loss) per share</b>			
Basic (RMB)	10	<u>0.03</u>	<u>(0.03)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	11	1,383,136	1,387,695
Right-of-use-assets		163,395	165,758
Other intangible assets	12	13,059	13,772
Deferred tax assets	18	1,067	1,046
Deposits paid for acquisition of property, plant and equipment		45,205	26,655
		1,605,862	1,594,926
<b>Current Assets</b>			
Inventories		208,417	205,308
Trade and other receivables	13	935,133	833,939
Contract assets		11,366	10,824
Tax recoverable		2,357	196
Pledged bank deposits		22,062	93,340
Bank balances and cash	14	224,256	253,915
		1,403,591	1,397,522
<b>Current Liabilities</b>			
Trade and other payables	15	372,058	428,982
Tax liabilities		441	555
Bank and other borrowings	17	719,744	802,506
Lease liabilities		9,738	4,539
Contract liabilities		8,465	10,133
Amounts due to directors	16	228	94,168
		1,110,674	1,340,883
<b>Net Current Assets</b>		292,917	56,639
<b>Total Assets Less Current Liabilities</b>		1,898,779	1,651,565

		<b>30 June 2024</b>	31 December 2023
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>NOTES</i>	<b>(unaudited)</b>	(audited)
<b>Capital and Reserves</b>			
Share capital	19	<b>41,655</b>	41,655
Reserves		<b>1,062,407</b>	1,047,381
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Equity attributable to owners of the Company		<b>1,104,062</b>	1,089,036
Non-controlling interests		<b>284,963</b>	281,602
<hr/>			
<b>Total Equity</b>		<b>1,389,025</b>	1,370,638
<hr/>			
<b>Non-current Liabilities</b>			
Deferred tax liabilities	18	<b>4,265</b>	4,989
Bank and other borrowings	17	<b>455,699</b>	219,556
Lease liabilities		<b>18,438</b>	23,001
Deferred income		<b>31,352</b>	33,381
<hr/>			
		<b>509,754</b>	280,927
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		<b>1,898,779</b>	1,651,565
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and method of computations used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ <b>2020 Amendments</b> ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ <b>2022 Amendments</b> ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment.

Six months ended 30 June 2024 (unaudited)

	Packaging paper <i>RMB'000</i>	Paper-based packaging <i>RMB'000</i>	Total <i>RMB'000</i>
<b>REVENUE</b>			
External sales	792,912	368,918	1,161,830
Inter-segment sales	6,070	–	6,070
Segment revenue	<u>798,982</u>	<u>368,918</u>	1,167,900
Eliminations			<u>(6,070)</u>
Group Revenue			<u>1,161,830</u>
Segment profit	<u>10,318</u>	<u>13,200</u>	23,518
<b>Eliminations</b>			
Unallocated other income			(353)
Unallocated corporate income, net			<u>(3,927)</u>
Profit before tax			<u>19,238</u>

Six months ended 30 June 2023 (unaudited)

	Packaging paper <i>RMB'000</i>	Paper-based packaging <i>RMB'000</i>	Total <i>RMB'000</i>
<b>REVENUE</b>			
External sales	802,809	362,131	1,164,940
Inter-segment sales	43,909	–	43,909
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Segment revenue	<u>846,718</u>	<u>362,131</u>	1,208,849
			<u>                    </u>
Eliminations			(43,909)
			<u>                    </u>
Group Revenue			<u>1,164,940</u>
			<u>                    </u>
Segment (loss) profit	<u>(24,933)</u>	<u>9,626</u>	(15,307)
			<u>                    </u>
<b>Eliminations</b>			
Unallocated other income			(2)
Unallocated corporate income, net			(4,577)
			<u>                    </u>
Loss before tax			<u>(19,886)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represented the profit/loss earned by each segment without allocation of legal and professional fee, bank interest income and other corporate income and expenses.

No reconciliation of reportable segment revenues is provided as the total revenues for reportable segments excluded inter-segment revenue is the same as the Group's revenue.

#### 4. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income from bank deposits	<b>1,659</b>	2,224
Interest income from rental deposits	<b>30</b>	32
Government grants	<b>27,810</b>	23,784
Sundry income	<b>4,671</b>	1,766
	<u>                    </u>	<u>                    </u>
	<u><b>34,170</b></u>	<u>27,806</u>

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Exchange gain/loss, net	48	561
Gain/loss on disposal of property, plant and equipment	1,543	50
	<u>1,591</u>	<u>611</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	20,038	20,430
Other borrowings	1,984	3,341
Lease liabilities	680	(55)
Consideration payable	433	2,384
	<u>23,135</u>	<u>26,100</u>

## 7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before tax has been deducted from the following items:		
Depreciation of property, plant and equipment	61,870	56,713
Depreciation of right-of-use assets	5,071	6,773
Amortisation of other intangible assets (included in cost of sales)	1,553	1,697
	<u>68,494</u>	<u>65,183</u>



## 8. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	192	(308)
Deferred tax		
Current period	659	(132)
Income tax credit (expense)	<u>851</u>	<u>(440)</u>

Accordingly, stating from the current year, the Hong Kong profit tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profit above HK\$2 million.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain PRC subsidiaries approved as advanced-technology enterprises or enterprises applicable to EIT policies for large-scale development in the Western Region by the relevant government authorities are subject to a preferential tax rate of 15%. During the year, certain PRC subsidiaries approved as “small and low-profit enterprises” by the relevant government authorities are subject to two-tiered preferential tax rates. The first RMB3 million of taxable profit of the qualifying group entities will be taxed at 5% (2023: The first RMB3 million of taxable profit of the qualifying group entities is taxed at 5%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 9. DIVIDENDS

The directors have determined that no interim dividend has been paid for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Earnings (Loss)</b>		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>15,026</u>	<u>(15,583)</u>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings (loss) per share	<u>500,000,000</u>	<u>500,000,000</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the period is summarised as follows:

	<i>RMB'000</i>
As at 1 January 2023 (audited)	1,370,453
Acquisition of a subsidiary	–
Additions of plant and equipment	67,022
Disposals of plant and equipment	(327)
Depreciation for the period	<u>(56,713)</u>
As at 30 June 2023 (unaudited)	<u><u>1,380,435</u></u>
As at 1 January 2024 (audited)	<b>1,387,695</b>
Acquisition of a subsidiary	–
Additions of plant and equipment	<b>59,839</b>
Disposals of plant and equipment	<b>(2,528)</b>
Depreciation for the period	<u><b>(61,870)</b></u>
As at 30 June 2024 (unaudited)	<u><u><b>1,383,136</b></u></u>

## 12. OTHER INTANGIBLE ASSETS

	<i>RMB'000</i>
As at 1 January 2023 (audited)	12,616
Increase for the period	4,922
Charge for the period	<u>(1,697)</u>
As at 30 June 2023 (unaudited)	<u><u>15,841</u></u>
As at 1 January 2024 (audited)	<b>13,772</b>
Increase for the period	<b>840</b>
Charge for the period	<u><b>(1,553)</b></u>
As at 30 June 2024 (unaudited)	<u><u><b>13,059</b></u></u>

Development costs are internally generated.

Such intangible asset are amortised on a straight-line basis over 5 years.

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Trade receivables not backed by bills	<b>452,133</b>	307,594
Less: Allowance for doubtful debts	<b>(3,141)</b>	(3,049)
	<b>448,992</b>	304,545
Trade receivables backed by bills	<b>428,772</b>	477,481
Less: Provision of trade receivables	<b>(976)</b>	(991)
	<b>427,796</b>	476,490
Total trade receivables	<b>876,788</b>	781,035
Advances to suppliers	<b>21,206</b>	16,025
Prepayment	<b>4,778</b>	4,364
Other receivables	<b>32,673</b>	32,808
Less: Provision of other receivables	<b>(312)</b>	(293)
	<b>58,345</b>	52,904
Total trade and other receivables	<b>935,133</b>	833,939

As at 30 June 2024 and 31 December 2023, gross amount of trade receivables from contracts with customers amounted to RMB880,905,000 and RMB785,075,000 respectively.

The Group allows an average credit period of 30 to 120 days from the invoice date to its trade customers except for the customers newly accepted of which payment is made when goods are delivered. For customers with good credit quality, the Group also allows them to provide bank bills before the due date of trade receivables. Those bills have maturity ranging from 60 to 180 days guaranteed by bank.

As at 30 June 2024, total bills received amounting to RMB428,772,000 (31 December 2023: RMB477,481,000) are held by the Group for future settlement of trade receivables, of which certain bills were further discounted/endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

The following is an aged analysis of trade receivables not backed by bills presented based on dates of delivery of goods, at the end of the reporting period:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
0 to 60 days	312,651	256,266
61 to 90 days	55,057	17,286
91 to 180 days	74,397	28,119
Over 180 days	6,887	2,874
	<u>448,992</u>	<u>304,545</u>

The aged analysis of trade receivables backed by bills based on receipt dates of bills at the end of the reporting period is analysed as follows:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
0 to 60 days	116,771	215,557
61 to 90 days	68,852	105,143
91 to 180 days	237,380	153,629
Over 180 days	4,793	2,161
	<u>427,796</u>	<u>476,490</u>

#### 14. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances carry interest at market rates within range from 0.15% to 1.7% (31 December 2023: 0.01% to 1.85%) per annum. The pledged deposits carry interest rates which range from 0.15% to 1.95% (31 December 2023: 0.2% to 1.95%) per annum.

Pledged bank deposits represent deposit pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB22,062,000 (31 December 2023: RMB93,340,000) have been pledged to secure the short-term bank borrowings and bills payables repayable within three to six months and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

## 15. TRADE AND OTHER PAYABLES

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Trade payables	214,442	234,277
Bills payables – secured	35,002	92,086
Other taxes payables	47,316	35,479
Payroll and welfare payables	32,617	33,790
Others	42,681	33,350
	<u>372,058</u>	<u>428,982</u>

The following is an aged analysis of trade payables presented based on the dates of receipt of goods at the end of the reporting period.

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
0 to 60 days	142,027	131,245
61 to 90 days	28,917	19,663
91 to 180 days	17,140	19,578
Over 180 days	26,358	63,791
	<u>214,442</u>	<u>234,277</u>

The aged analysis of bills payables based on issuance dates of bills at the end of the reporting period are analysed as follows:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
0 to 60 days	4,547	31,429
61 to 90 days	1,550	23,267
91 to 180 days	28,905	37,390
Over 180 days	–	–
	<u>35,002</u>	<u>92,086</u>

The credit period on purchase of material is 30 to 120 days. The Group has financial risk management policies in place to monitor the settlement.

## 16. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

## 17. BANK AND OTHER BORROWINGS

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Bank borrowings, secured	<b>1,116,274</b>	964,696
Bank borrowings, unsecured	–	7,250
Sub-total	<b>1,116,274</b>	971,946
Other borrowings, secured	<b>59,169</b>	50,116
Other borrowings, unsecured	–	–
Sub-total	<b>59,169</b>	50,116
Total	<b>1,175,443</b>	1,022,062
Carrying amount repayable:		
Within one year	<b>719,744</b>	802,506
Within in a period more than one year but not exceeding two years	<b>173,569</b>	68,095
Within in a period more than two years but not exceeding five years	<b>266,136</b>	143,121
Exceeding five years	<b>15,994</b>	8,340
	<b>1,175,443</b>	1,022,062
Less: Amounts due within one year shown under current liabilities	<b>(719,744)</b>	(802,506)
Amounts shown under non-current liabilities	<b>455,669</b>	219,556

Bank borrowings and other borrowings as at period end were secured by the pledged of assets set out in note 20.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	<b>30 June 2024</b>	31 December 2023
Effective interest rate:		
Fixed rate borrowings	<b>1.2% to 6.35% per annum</b>	0.8% to 5.98% per annum
Variable rate borrowings	<b>3.2% to 7.91% per annum</b>	3.21% to 7.9% per annum

Benchmark interest rate is quoted by the Peoples' Bank of China.

## 18. DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Deferred tax assets	<b>(1,067)</b>	(1,046)
Deferred tax liabilities	<b>4,265</b>	4,989
	<b><u>3,198</u></b>	<u>3,943</u>

The following are the major deferred taxation liabilities recognised and movement thereon during the current and preceding interim period:

	Right-of-use assets RMB'000	Lease liabilities RMB'000	Contract assets RMB'000	Deferred income RMB'000	Impairment of receivables RMB'000	Depreciation differences RMB'000	Undistributable profit of subsidiaries RMB'000	Total RMB'000
At 1 January 2023 (audited)	2,135	(2,183)	390	(161)	(208)	3,779	2,000	5,752
Charge (credit) for the period	<u>(28)</u>	<u>-</u>	<u>74</u>	<u>26</u>	<u>(215)</u>	<u>(15)</u>	<u>(1,450)</u>	<u>(1,608)</u>
At 30 June 2023 (unaudited)	<b><u>2,107</u></b>	<b><u>(2,183)</u></b>	<b><u>464</u></b>	<b><u>(135)</u></b>	<b><u>(423)</u></b>	<b><u>3,764</u></b>	<b><u>550</u></b>	<b><u>4,144</u></b>
At 1 January 2024 (audited)	1,754	(1,863)	308	(1,053)	(76)	3,973	900	3,943
Charge (credit) for the period	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(24)</u>	<u>(700)</u>	<u>(745)</u>
At 30 June 2024 (unaudited)	<b><u>1,736</u></b>	<b><u>(1,863)</u></b>	<b><u>308</u></b>	<b><u>(1,053)</u></b>	<b><u>(79)</u></b>	<b><u>3,949</u></b>	<b><u>200</u></b>	<b><u>3,198</u></b>

Under the EIT Law of PRC, withholding tax is imposed on 10% of dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB786,078,000 (31 December 2023: RMB786,078,000).

No deferred tax liability has been recognised in respect of these differences because the Group's is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 19. SHARE CAPITAL

	Number of shares	Share Capital <i>HK\$</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>1,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>500,000,000</u>	<u>50,000,000</u>
		<i>RMB'000</i>
Presented as: (At 31 December 2023 and 30 June 2024)		<u>41,655</u>

## 20. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities (including properties, plant and equipment under a finance lease) granted to the Group at the end of the reporting period:

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
Buildings and construction in progress	240,872	252,843
Plant and machinery	102,065	107,376
Land use right	60,622	61,281
Trade receivables	80,000	80,000
Bills receivables	320,490	233,106
Pledge bank deposits	22,062	93,340
Inventories	<u>60,927</u>	<u>67,483</u>
	<u>887,038</u>	<u>895,429</u>



## 21. CAPITAL COMMITMENTS

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<b>55,323</b>	12,611

## 22. RELATED PARTIES TRANSACTIONS AND BALANCES

### (a) Related parties balances

Amounts due to directors is disclosed on the Condensed Consolidated Statement of Financial Position.

### (b) Compensation of key management

The remuneration of directors of the Company and other members of key management during the period were as follows:

	<b>30 June 2024 RMB'000 (unaudited)</b>	30 June 2023 RMB'000 (unaudited)
Salaries and other benefits	<b>11,478</b>	11,913
Retirement benefits scheme contributions	<b>295</b>	300
	<b>11,773</b>	12,213

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group's principal business is the provision of ancillary paper packaging products to domestic and foreign manufacturers of household appliances, food, consumer electronics and cosmetics, and the provision of comprehensive services including professional and competitive design, printing, logistics and other customer services to provide customers with integrated packaging solutions. In addition, in order to enhance the competitiveness of the Group's paper packaging products, the Group has also extended its operations to the back end of the industrial chain by utilizing recycled wastepaper as raw materials for the production of corrugated paper, liner paper and other paper products, which are used as materials for the Group's paper packaging products and for external sales of products.

We are committed to becoming one of the world's leading eco-friendly packaging enterprises.

Our products mainly include craft cartons, color printing cartons, honeycomb paper-based products, exquisite color box packaging, corrugated paper and liner paper.

Consisting currently of 11 wholly owned subsidiaries and 3 non-wholly owned subsidiaries in different regions of China, the Group provides services with high quality to customers.

The Group's paper packaging products have been established for many years in a number of segmented markets such as home appliance packaging, consumer electronics packaging and food packaging, and have gained the trust of various renowned brands both on the domestic and overseas and have established a stable relationship with a group of customers for over a decade. The Group's production line of exquisite color box continues to steadily expanding to customers from fast-moving consumer goods in the areas of daily chemicals, cosmetics and foodstuffs, in a bid to continue to expand the Group's packaging business. The Group's packaging production base is equipped with advanced automated production lines, stable and efficient printing machines and ancillary equipment, and a reasonable and efficient production layout. It is committed to create digital production facilities, providing customers with first class service with leading technology and quality management level and helping the Group stabilize revenue and profit in the extremely uncertain market environment.

Our corrugated medium paper and high-strength containerboard products have won the recognition of customers for their consistent quality and innovative design in the segmented market. Our paper production segment utilizes its own industrial technology benefits to meet customers' needs and adapt to the complex and volatile external environment. It also continues to improve the Group's competitiveness in the market constantly through product research and development and innovation. In particular, the Group researches and develops low-weight and high-strength corrugated paper products, which even win customers' satisfaction with extreme cost-effectiveness.

For the six months ended 30 June 2024:

- The Group achieved operating revenue of RMB1,161,830,000, which is basically the same compared with the same period of last year.
- The profit attributable to shareholders of the Company was approximately RMB15,026,000.
- The basic earnings per share of the Company was approximately RMB0.03.

## **Macro Environment**

The world economy emerged from the first half of the year on a weak-to-good note, benefited from improved business confidence and the continued recovery of the service and manufacturing sectors during the first half of 2024. The operation of China's economy is generally stable and progressive, and positive factors are accumulating. At the same time, however, the biggest risk factor is a series of problems brought about by global geopolitical tensions, as well as the impact of weak demand. China is still in a critical period of economic recovery and restructuring and upgrading.

## **Paper-based Packaging Business**

During the period under review, the Group's paper-based packaging business registered a slight increase as compared to the same period last year. In the first half of the year, the domestic economy, under the combined effect of policies, the international environment and financial policies, has shown positive signs, and the Group's customer orders increased significantly compared to the second half of last year, while export orders also increased. During the period, the Group's paper-based packaging business achieved operating revenue of RMB368,918,000, representing an increase of 1.87% over the same period last year, in which RMB241,992,000, RMB69,492,000, RMB41,634,000 and RMB15,800,000 were achieved by craft cartons, color printing cartons, honeycomb paper-based products and exquisite color box packaging respectively (for the first half of 2023: RMB258,215,000, RMB56,443,000, RMB33,025,000 and RMB14,448,000 respectively). The sales volume of the Group's paper packaging products rebounded as compared with the second half of last year, but it still decreased by approximately 4.83% as compared with the same period last year, and the unit price increased by 7.04% during the period as compared with the same period last year. However, the price of principal materials on raw paper dropped 5.17% during the six months ended 30 June 2024 (the "**Reporting Period**"), resulting in a gross profit margin of 23.49% for the paper packaging business during the period, representing an increase of 0.16% compared to the same period last year.

## **Paper Manufacturing Business**

In the first half of 2024, the Group's paper manufacturing business achieved operating revenue of RMB792,912,000 for the period, mildly dropped by 1.23% as compared to the same period last year. This was mainly due to the increase in production and sales of certain high-margin corrugated paper products. Although the sales volume of paper production products decreased slightly by 7.54% year-on-year, it registered a 6.82% increase in the unit price of products sold during the period as compared to the same period last year. While the price of raw waste paper, decreased by approximately 5.8% during the period compared to the same period last year, the gross profit margin of the paper manufacturing business for the period increased from 5.88% for the same period last year to 9.71% for the current period.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2024, the Group's revenue was approximately RMB1,161,830,000 (for the same period in 2023: RMB1,164,940,000), essentially flat as compared to the same period last year. The Group's gross profit margin for the first half of 2024 was 14.08% (approximately 11.31% for the same period in 2023), representing an increase of 2.77% over the same period last year. This was mainly due to a 5.61% decrease in the Group's raw materials procurement price as compared to the same period last year, and a 6.89% moderate increase in the unit price of products sold.

During the Period Under Review, The Group insisted on innovation in research and development and put forward strategies on cost and differentiation. Emphasizing in new product development, the paper production segment chiefly focused on manufacturing high margin products and proceeded to complete the comprehensive renovation of power biomass boilers, so as to keep reducing energy costs across the board. On the packaging segment, the Group was vigorously developing its fast-moving consumer goods packaging business while maintaining a healthy level of activity in its home appliance packaging business. On the exquisite packing segment, the Group continued to progress steadily.

For the six months ended 30 June 2024, the Group's profit attributable to equity holders amounted to approximately RMB15,026,000 (for the same period in 2023: the Group's loss attributable to equity holders of approximately RMB15,583,000).

## PROSPECT

The global economy continues to tackling with numerous challenges in the second half of 2024, with monetary policies of the major economies to become more divergent. In the United States, expectation for the Federal Reserve to cut its interest rate is gathering momentum. With the European Central Bank starting its interest rate-lowering cycle, persistent inflationary pressures as well as the complicated geopolitical situation, there are more uncertainties looming above the world's economic development.

Fundamentals of China's long-term economic growth have not changed, and the general trend of high-quality development has not been altered. The quarter-to-quarter decline in China's GDP growth rate in the second quarter reflected the increasing difficulties and challenges in the current economic cycle. In particular, there is a lack of effective demand domestically, while the running of the "Domestic Circulation" looks a rough and bumpy process. Looking into the second half of the year, proactive fiscal policy and prudent monetary policy should work in tandem to make space for macro policy manoeuvre and create a favorable monetary and financial environment, which shall play a key role in stabilizing the economy, promoting growth and adjusting the economy's structure.

Hit by the uncertainties in world economy and lack of effective demand at home, we expect the paper packaging industry as a whole to remain weak in the second half of 2024. However, the Group will continue to courageously weather the challenges and speed up the process of switching from packaging industry's conventional mode of "production + service" to the mode of comprehensive and integrated one-stop solution, and will continue to expand the scope of its business, to provide an array of comprehensive services from packaging product design, material supply, procurement assistance to logistics and transportation, and inventory management, in order to adapt to the rapid changes in market demand and to strengthen our capability in continuous innovation and satisfying the diverse needs of our customers. At the same time, we will accelerate the effective integration of paper manufacturing and packaging, expand into the area of high value-added products, and develop in depth towards the realm of intelligent production, logistics and supply chain, so that we as an organization may realize intelligent transformation and business optimization as soon as possible in order to seek new profit growth points.

## SELECTED FINANCIAL STATEMENTS ANALYSIS

### Current Assets, Liquidity, Financial Resources and Capital Structure

In 30 June 2024, the Group's main sources of funding were cash generated from operating activities and bank loans.

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Net assets	<b>1,389,025</b>	1,370,638
Bank and cash balances	<b>224,256</b>	253,915
Total borrowings <sup>#</sup>	<b>1,175,443</b>	1,022,062
Equity attributable to the Owners of the Company	<b>1,104,062</b>	1,089,036
Current ratios	<b>1.26</b>	1.04
Net gearing ratio*	<b>84.16%</b>	61.96%

<sup>#</sup> As at 30 June 2024, bank borrowings related to discounted bills with full recourse from external trade customers amounting to RMB280,943,000 (31 December 2023: RMB233,106,000).

\* The net gearing ratio is calculated as net borrowings divided by equity attributable to the Owners of the Company, in which the net borrowings are calculated as total bank and other borrowings less pledge deposits and bank balances and cash.

### Cash flow

The net cash outflow from operating activities for the six months ended 30 June 2024 was RMB298,220,000, compared to the net cash inflow of RMB109,905,000 for the six months ended 30 June 2023.

The net cash outflow from investing activities was RMB96,428,000 for the first half of 2024, consisting primarily of the capital expenditure for the acquisition and construction of long-term assets of the Company.

The net cash inflow from financing activities was RMB364,989,000 for the first half of 2024, consisting primarily of income from loans obtained by the Company in the business activities and expenditure for repaying loans.

As at 30 June 2024, the Group had a net cash outflow of RMB29,659,000 (the Group's net cash outflow for the same period in 2023: RMB39,874,000).

The IFRS Interpretation Committee (IFRIC) meeting in December 2020 has made an agenda decision on the impact of the application of financial reporting standard in cash flows. It clarified how to present the liabilities for the payment of goods or services received and the settlement-related cash flow generated by the financing arrangement of the supplier under the consolidated statement of financial position and the consolidated statement of cash flows. The direct settlement of trade-related payables by the relevant financier constitutes a non-cash transaction. Subsequent settlement between the entity and the financier shall be regarded as repayment of borrowings and reported under the financing activities item in the consolidated statement of cash flows. The agenda decision also includes content that in the context of supplier financing arrangements, the accounting policies related to the presentation of the consolidated statement of cash flows have been reassessed. When the bills discount arrangement does not meet the conditions for de-recognition of receivables, it will be presented in cash inflow from financing activities in the consolidated statement of cash flows.

For the six months ended 30 June 2024, the net cash from operating activities would have been increased by approximately RMB356,995,000 (30 June 2023: RMB109,564,000) and the net cash from financing activities would have been decreased by RMB356,995,000 (30 June 2023: RMB109,564,000), if the Group has not applied the accounting policies.

## **CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES**

### **Capital expenditures**

For the six months ended 30 June 2024, the Group's capital expenditure was approximately RMB92,273,000, details as follows:

	<i>RMB'000</i>	<i>Percentage of capital expenditure</i>
Paper product division	67,640	73.30%
Packaging division	24,633	26.70%
	<hr/>	<hr/>
Total	92,273	100.00%
	<hr/> <hr/>	<hr/> <hr/>

## Capital commitments

As at 30 June 2024, the Group had the following capital commitments:

	<b>30 June 2024 RMB'000 (unaudited)</b>	31 December 2023 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and leasehold land contracted for but not provided in the consolidated financial statements	<b>55,323</b>	12,611

## Contingent liabilities

The Group had no significant contingent liabilities or litigation or arbitration of material importance as at 30 June 2024.

## FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and the majority of its asset income and cash balances are denominated in Renminbi, except for some bank borrowings and deposits denominated in Hong Kong dollars. The Directors believe that exchange rate fluctuations do not have a material impact on the results of the Company.

## HUMAN RESOURCES MANAGEMENT

The Group had 2,663 employees as at 30 June 2024 (as at 31 December 2023: 2,615 employees), in which approximately 487 were engineers and technical staff or employees with higher education backgrounds.

The table below shows the number of employees of the Group by function as at 30 June 2024:

<b>Function</b>	<b>Number of employees</b>	<b>Percentage of total</b>
Management and Administration	388	14.57%
Sales and Marketing	130	4.88%
Research and Development in Technology and Engineering	374	14.04%
Production and Quality Control	1,771	66.51%
Total	<b>2,663</b>	<b>100.00%</b>



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

The Company has adopted the code of conduct regarding securities transactions by directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix C3 to the Listing Rules. All the Directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code throughout the Reporting Period under review.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company’s listed securities (including sale of treasury shares) during the Reporting Period under review. As of June 30, 2024, the Company did not hold any of treasury shares.

## **CORPORATE GOVERNANCE**

The Company had adopted and complied with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules and certain recommended best practices set out in the CG Code throughout the Reporting Period under review. During the Reporting Period, the Company has complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein, except the following provision:

Under the Code provision C.2.1 in force, 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 CEO should be clearly established and set out in writing.

Upon the appointment of Mr. Hu Zheng (“**Mr Hu**”) as the CEO becoming effective on 25 August 2023, Mr. Hu will perform both of the roles as the Chairman and the CEO of the Company. This deviates from code provision C.2.1 of the Code on Corporate Governance Practices contained in Appendix C1 of the Listing Rules.

For the Company’s development, the Board is of the opinion that it is appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person. It does not affect the balance of power and authority between the board of directors and the management. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

## **DIVIDENDS**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 to the shareholder of the company (for the six months ended 30 June 2023: nil).

## **AUDIT COMMITTEE REVIEW**

The condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have not been audited but have been reviewed by the audit committee of the Company (comprised all the independent non-executive directors of the Company).

## **EVENTS AFTER THE REPORTING PERIOD**

As at the date of approval of this interim condensed financial information, the Group has no event after the reporting period that need to be disclosed.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.zhengye-cn.com>). The interim report for the six months ended 30 June 2024 will be uploaded onto the aforesaid websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the period and give our sincere gratitude to all our shareholders and business partners for their continuous support.

By order of the Board  
**Zhengye International Holdings Company Limited**  
**Hu Zheng**  
*Chairman*

Hong Kong, 23 August 2024

*As at the date of this announcement, the Board comprised Mr. Hu Zheng, Mr. Hu Hancheng (Mr. Hu Jianjun as his alternate), Mr. Hu Hanchao (Mr. Tan Xijian as his alternate), Mr. Hu Jianpeng, and Ms. Chen Wei as executive Directors, Ms. Hu Jianwen as non-executive Director and Mr. Chung Kwok Mo John, Mr. Liew Fui Kiang and Mr. Shin Yick Fabian as independent non-executive Directors.*