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Shiyue Daotian Group Co., Ltd.

十月稻田集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 9676)

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

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Changes %
	2024	2023	
	<i>RMB in million</i>		
	(Unaudited)	(Unaudited)	
Revenue	2,620.6	2,227.2	17.7%
Gross profit	444.3	326.3	36.2%
Profit/(loss) for the period	125.8	(24.3)	N/A
Adjusted net profit ¹	148.9	114.0	30.6%

¹ To supplement the consolidated financial statements of the Group, which are presented in accordance with IFRS Accounting Standards, the Group also uses adjusted net profit (non-IFRS measure) as additional financial measures, which is not required by, or presented in accordance with IFRS Accounting Standards. The Group believes that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help the Group's management. However, the Group's presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for an analysis of, the Group's results of operations or financial condition as reported under IFRS Accounting Standards.

The Board of the Company is pleased to present the unaudited consolidated interim results (the “**Announcement**”) of the Group for the six months ended June 30, 2024, together with the comparative amounts for the corresponding period ended June 30, 2023. The interim results and interim financial information have been reviewed by the Audit Committee of the Company.

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2024 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		RMB’000	RMB’000
Revenue	3	2,620,565	2,227,203
Cost of sales		<u>(2,176,281)</u>	<u>(1,900,907)</u>
Gross profit	3	444,284	326,296
Other net income		7,968	9,354
Gains arising from changes in fair value of biological assets		3,467	–
Selling and distribution expenses		(239,558)	(161,956)
Administrative expenses		(73,156)	(76,923)
Impairment losses (charged)/reversed on trade and other receivables		<u>(2,089)</u>	<u>1,108</u>
Profit from operations		140,916	97,879
Finance costs	4(a)	(8,046)	(4,978)
Changes in the carrying amount of financial instruments issued to investors		<u>–</u>	<u>(114,196)</u>
Profit/(loss) before taxation	4	132,870	(21,295)
Income tax	5	<u>(7,109)</u>	<u>(3,006)</u>
Profit/(loss) and total comprehensive income for the period attributable to equity shareholders of the Company		<u>125,761</u>	<u>(24,301)</u>
Earnings/(loss) per share			
Basic and diluted (RMB)	7	<u>0.12</u>	<u>(0.02)</u>

Consolidated statement of financial position

At 30 June 2024

	Note	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		980,532	957,868
Right-of-use assets		234,085	189,215
Financial assets measured at fair value through profit or loss (“FVPL”)		494,354	–
Other non-current assets		24,131	20,490
		<u>1,733,102</u>	<u>1,167,573</u>
Current assets			
Financial assets measured at FVPL		343,949	–
Biological assets		41,521	–
Inventories		1,119,927	1,604,828
Trade and other receivables	8	487,177	505,192
Restricted deposits		30,000	30,000
Cash and cash equivalents		588,758	1,427,218
		<u>2,611,332</u>	<u>3,567,238</u>
Current liabilities			
Trade and other payables	9	245,391	241,861
Contract liabilities		7,912	13,571
Bank loans		500,397	1,011,071
Lease liabilities		29,976	12,899
Income tax payable		3,249	6,070
		<u>786,925</u>	<u>1,285,472</u>
Net current assets		<u>1,824,407</u>	<u>2,281,766</u>
Total assets less current liabilities		<u>3,557,509</u>	<u>3,449,339</u>

	<i>Note</i>	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		37,690	19,467
Deferred income		<u>43,661</u>	<u>46,362</u>
		<u>81,351</u>	<u>65,829</u>
NET ASSETS		<u>3,476,158</u>	<u>3,383,510</u>
CAPITAL AND RESERVES			
Share capital		106,815	106,815
Reserves		<u>3,369,343</u>	<u>3,276,695</u>
TOTAL EQUITY		<u>3,476,158</u>	<u>3,383,510</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The interim financial information set out below is derived from the unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”). It was authorised for issue on 29 August 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in this announcement. The Group had not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sales of pantry staple food. All of the revenue of the Group is recognised at a point in time during the Reporting Period. Further details regarding the Group’s principal activities are disclosed in Note 3(b).

Disaggregation of revenue by primary products is disclosed in Note 3(b)(i).

(b) Segment reporting

- The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.
- Rice products: this segment mainly produces pre-packaged rice products of different varieties.
- Whole grain, bean and other products: this segment mainly produces pre-packaged mixed brown rice, millet, corn, red bean and sesame.
- Dried food and other products: this segment mainly produces pre-packaged wood ear mushrooms, snow fungus mushroom and lotus seeds, as well as by-products, such as bran, husk and fractioned rice.

(i) *Segment results*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance during the Reporting Period is set out below.

	Six months ended 30 June 2024			
	Rice products	Whole grain, bean and other products	Dried food and other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	<u>1,707,209</u>	<u>726,271</u>	<u>187,085</u>	<u>2,620,565</u>
Reportable segment gross profit	<u>211,083</u>	<u>217,306</u>	<u>15,895</u>	<u>444,284</u>

	Six months ended 30 June 2023			
	Rice products	Whole grain, bean and other products	Dried food and other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	<u>1,739,381</u>	<u>288,342</u>	<u>199,480</u>	<u>2,227,203</u>
Reportable segment gross profit	<u>238,109</u>	<u>68,790</u>	<u>19,397</u>	<u>326,296</u>

(ii) *Geographic information*

The Group does not have material assets or operation outside the PRC. All of the Group's revenue is generated from its customers in the PRC. Hence, no segment analysis based on geographical location of the customers and assets is presented.

4 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans	13,270	4,571
Interest on lease liabilities	1,444	407
Foreign exchange gains	(6,668)	—
	<u>8,046</u>	<u>4,978</u>

No borrowing costs have been capitalised for the six months ended 30 June 2024 and 2023.

(b) Staff costs

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	144,004	120,506
Contributions to defined contribution retirement schemes	9,948	10,962
	<u>153,952</u>	<u>131,468</u>

(c) Other items

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	2,176,281	1,900,907
Depreciation		
– owned property, plant and equipment	43,420	31,786
– right-of-use assets	5,915	6,356
Net loss/(gain) on disposal of property, plant and equipment	113	(115)
Rental expenses	827	946
Listing expenses	—	24,093
	<u>—</u>	<u>24,093</u>

5 INCOME TAX

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation	<u>7,109</u>	<u>3,006</u>

- (i) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2024 (six months ended 30 June 2023: 25%).
- (ii) In accordance with relevant tax regulations in the PRC, the Group's business in primary processing of agricultural products is eligible for income tax exemption.

6 DIVIDENDS

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: RMBNil)

- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.031 per ordinary share (six months ended 30 June 2023: RMBNil)	<u>33,113</u>	<u>–</u>

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share during the Reporting Period is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue during the Reporting Period.

The Company was converted into a joint stock limited liability company and issued 99,445,074 shares with the par value of RMB1 each on 6 January 2023. For the purpose of computing basic earnings/(loss) per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock limited liability company was determined assuming the conversion into joint stock limited liability company had occurred on 1 January 2023, at the conversion ratio established in the conversion in January 2023 and takes into account of the share split at a one-for-ten basis immediately upon listing.

The financial instruments issued to investors with preferential rights were treated as treasury stock and debited to other reserve before the termination of preferential rights. Accordingly, before the termination of preferential rights, the shares converted from related paid-in capital was deducted when calculating the number of ordinary shares deemed in issue.

Profit/(loss) for the period attributable to ordinary equity shareholders of the Company:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period attributable to all equity shareholders of the Company	125,761	(24,301)
Allocation of loss for the period attributable to financial instruments issued to investors	<u>—</u>	<u>6,948</u>
Profit/(loss) for the period attributable to ordinary equity shareholders of the Company	<u>125,761</u>	<u>(17,353)</u>

Weighted average number of shares

	Six months ended 30 June	
	2024	2023
	<i>No. of shares</i>	<i>No. of shares</i>
	<i>'000</i>	<i>'000</i>
Ordinary shares deemed to be in issue at 1 January	1,068,153	994,450
Effect of ordinary shares deemed to be in issue	—	18,390
Effect of the financial instruments issued to investors	<u>—</u>	<u>(289,580)</u>
Weighted average number of ordinary shares (deemed to be) in issue	<u>1,068,153</u>	<u>723,260</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There is no dilutive potential shares outstanding during the six months ended 30 June 2024 and the dilutive earnings per share is the same as basic earnings per share. During the six months ended 30 June 2023, the Group's potential ordinary shares are from financial instruments issued to investors with preferential rights. The potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2023 is the same as basic loss per share.

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables from:		
– third parties	300,618	245,634
Less: loss allowance	(5,038)	(2,882)
	295,580	242,752
Bills receivables	25,928	92,406
Prepayments to suppliers	31,835	25,041
Value added tax recoverable	68,387	125,970
Deposits and amounts due from the e-commerce platforms	11,971	9,890
Deposits for bidding and purchase of land-use-rights	1,657	1,657
Financial asset redemption in transit (<i>Note</i>)	38,177	–
Other receivables	738	364
Other deposits	12,904	7,112
	133,834	144,993
Trade and other receivables	487,177	505,192

Note:

The amount has been collected in July 2024.

All of the trade and other receivables are expected to be recovered or recognised as expenses or transferred to equity within one year.

Ageing analysis

As of the end of the Reporting Period, the ageing analysis of the Group's trade receivables (net of loss allowance), based on the invoice date, is as follows.

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 3 months	285,513	218,773
4 to 6 months	5,726	15,174
7 to 12 months	2,816	8,714
Over 1 year	1,525	91
	<u>295,580</u>	<u>242,752</u>

9 TRADE AND OTHER PAYABLES

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Trade payables – third parties	142,194	137,566
Dividend payable	33,113	–
Payables for staff related costs	31,155	38,365
Payables for construction and purchase of property, plant and equipment	13,790	25,970
Payables for costs incurred in connection with the initial public offering of the Company's shares	–	6,224
Others	4,881	8,474
	<u>82,939</u>	<u>79,033</u>
Financial liabilities measured at amortised cost	225,133	216,599
Provision for an outstanding legal claim	16,249	20,000
Refund liabilities	1,381	1,634
Payables for miscellaneous taxes	2,628	3,628
	<u>245,391</u>	<u>241,861</u>

As of the end of the Reporting Period, the ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within one year or on demand	<u>142,194</u>	<u>137,566</u>

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO AND INDUSTRY ENVIRONMENT

During the first half of 2024, China's national economy was generally stable with steady progress, featuring steady increase of production and sustained recovery of demand. During the first half of 2024, the retail sales of grain, oil and food commodities among consumer goods increased by 9.6% as compared with the corresponding period of last year. The national consumer price index (CPI) increased by 0.1% year-on-year, of which grain prices increased by 0.5%. With the enhancement of national health awareness, consumers are more concerned about products' cost performance and food safety, the demand for staple food has evolved from the pursuit of satiety in the past to today's desire for not only gourmet food but also nutritional elements, thus progressing towards a more health-conscious direction.

In terms of categories, China's kitchen staple food can be divided into four categories, namely, flour products, rice products, whole grain and corn as the representatives of the new staple food products. As the main food for people in most parts of China, rice has a large market space and maintains a decent rate of growth, with a market exhibiting maturity and stability. At the same time, the growing health consciousness of consumers and the popularization of the concept of dietary balance have contributed to the growth of the market scale for whole grain and corn. Corn has gradually transited from a passive staple food choice to an active one, and with its low-fat and high-fiber advantages, it has become an important supplement to traditional staple foods such as rice. Since 2020, the proportion of corn in the domestic public "staple food" consumption structure increased to 11%. It is expected that by 2025, the market scale of staple corn will reach RMB577 billion¹, unveiling a promising market prospect for the new staple food.

Based on package specification, rice, whole grain, bean and seed products can be further divided into pre-packaged products and bulk products. Pre-packaged products have become more popular among consumers, mainly due to their portability and better preservation of quality, freshness and taste. As Chinese consumers have become more conscious of food quality, more consumers prefer to purchase pre-packaged rice, whole grain, bean and seed products, boosting a much higher growth rate in the pre-packaged market.

¹ Source: "White Paper on the Trend of Corn as Staple Food", jointly prepared by China National Food Industry Association and Xinhua Net and published on March 20, 2024.

PROSPECT

By adhering to the mission of “being committed to providing Chinese consumers with healthy, quality and safe pantry food” all along, the Group has been dedicated to providing our customers with pre-packaged premium rice, whole grain, bean, and dried food products. By maintaining multichannel sales coverage, we are committed to providing customers with products of diversified categories that are sourced from renowned grain production regions in China. In virtue of increasingly improved service quality and operational efficiency, we aim to “build a valuable and influential food brand in China”.

We will continue to broaden and deepen our multichannel ecosystem, and reinforce our channel management capabilities. We will continue to use the traffic ecology to lay out our brand IP matrix, increase brand exposure, and continue to gain insight into users’ needs and build brand recognition. We will pay constant and close attention to the overall industry trends, exert promptly adjustments to our business layout and product assortment, give full play to our own characteristics and advantages to expand new channels and businesses while endeavouring to forge flagship products. We will also continue to penetrate into selected production areas for rice, whole grain, bean and other products, and focus on building infrastructure for procurement, production, inspection, storage and other core capabilities in quality origins.

BUSINESS REVIEW

In the first half of 2024, the Group has been dedicated to providing customers with pre-packaged premium rice, whole grain, bean and dried food products, aiming to capture consumer mindshare with high brand visibility and convenient purchase experience. The Group has continued to cultivate its categories in existence, expand its multi-category product portfolio, develop its sales network, strengthen its multi-brand business model with respective proven record of success, and consolidate its supply chain management capabilities to meet diversified consumer needs and continuously strengthen the emotional connection of our consumers with us.

During the first half of 2024, total revenue of the Group was RMB2,620.6 million, representing an increase of approximately 17.7% as compared with RMB2,227.2 million to the corresponding period of last year. Gross profit of the Group increased by 36.2% from RMB326.3 million for the corresponding period of last year to RMB444.3 million during the Reporting Period, while gross profit margin increased from 14.7% for the corresponding period of last year to 17.0% during the Reporting Period. The Group recorded a profit before income tax of RMB132.9 million during the Reporting Period as compared to a loss before income tax of RMB21.3 million for the corresponding period of last year, and recorded a net profit of RMB125.8 million during the Reporting Period as compared to a net loss of RMB24.3 million for the corresponding period of last year. Adjusted net profit increased by 30.6% from RMB114.0 million for the corresponding period of last year to RMB148.9 million during the Reporting Period, and adjusted net profit margin increased from 5.1% for the corresponding period of last year to 5.7% during the Reporting Period.

OUR BRANDS AND PRODUCTS

We are one of the leading and rapidly growing pantry staple food companies in China, enjoying a robust multichannel brand presence. We have been dedicated to providing our consumers with premium pre-packaged rice, whole grain, bean, and dried food products since our inception, and have successfully established and been operating multiple well-recognized brands, mainly including Shiyue Daotian (十月稻田), Firewood Courtyard (柴火大院) and Sunshine Family (福享人家). The Group has been growing steadily, successfully achieving a consistent leading performance in the past. According to an industry study completed by Frost & Sullivan in May 2024, we have been recognized as the “Top Selling Brand for Northeast Rice in China for Five Consecutive Years²” and the “Omni-channel Service Provider for 130 Million Users of Chinese Families³”. In addition, in response to the trend of making corn a staple food, we have laid out the corn categories in the high-quality production area in Northeast China, which has won the full recognition of the market and consumers by virtue of its advantages in production area, production and processing, and product innovation since its appearance on the market, and we have been certified as the “Top Selling Brand for Corn Categories in China⁴” by Frost & Sullivan.

We mainly supply rice products, whole grain, bean and other products, as well as dried food and other products. Rice products mainly include pre-packaged rice products of different varieties, such as Wuchang rice (五常大米), Daoxiang rice (稻香米), long grain rice (長粒香大米) and Komachi rice (小町米). Whole grain and bean products mainly include pre-packaged mixed brown rice, millet and red bean, and other products under this category primarily refer to seed and corn products. Dried food products mainly include pre-packaged wood ear mushrooms, snow fungus mushroom and lotus seeds, and other products under this category mainly include by-products, such as bran, husk and fractioned rice. Our revenue is mainly derived from the sales of rice products, whole grain and bean products. The table below sets forth a breakdown of our revenue by product category for the periods indicated:

² Based on research on the Northeast Rice industry in China by Frost & Sullivan; calculated based on the sales volume (tons) of pre-packaged Northeast Rice products in retail channels in Mainland China from 2019 to 2023; Northeast Rice is defined as japonica rice produced in the production area of Northeast China; the survey was completed in May 2024.

³ Based on research on the pantry staple food industry in China by Frost & Sullivan; calculated based on the total number of household users served by all sales channels in Mainland China as of April 2024; the survey was completed in May 2024.

⁴ Based on research on the corn industry in China by Frost & Sullivan; calculated based on the sales volume (tons) of corn categories in retail channels in Mainland China from January 2023 to March 2024; corn categories refer to edible corn, mainly including corn cobs, corn segments, corn kernels and corn derivatives, etc.; the survey was completed in May 2024.

Product category	Six months ended June 30,			
	2024	% of total	2023	% of total
	RMB'000	revenue	RMB'000	revenue
Rice products	1,707,209	65.2%	1,739,381	78.1%
Whole grain, bean and other products	726,271	27.7%	288,342	12.9%
Dried food and other products	187,085	7.1%	199,480	9.0%
Total	<u>2,620,565</u>	<u>100.0%</u>	<u>2,227,203</u>	<u>100.0%</u>

Our revenue generated from rice products decreased by 1.9% from RMB1,739.4 million for the corresponding period of last year to RMB1,707.2 million during the Reporting Period, primarily due to the fact that affected by the increase in the cost of paddy as raw materials, we adjusted our rice selling prices and product offerings, resulting in a decrease in sales volume of rice varieties with low gross profit rate and a decrease in revenue. Meanwhile, our sales volume and revenue of high-end rice continued to grow. Such combined factors resulted in a drop in rice income of RMB32.2 million. Our revenue generated from whole grain, bean and other products increased by 151.9% from RMB288.3 million for the corresponding period of last year to RMB726.3 million during the Reporting Period, and its percentage of our total revenue increased from 12.9% for the corresponding period of last year to 27.7%, primarily due to the fact that we have actively developed new products and broadened our product portfolio and sales network. Our corn products witnessed a significant increase in sales revenue in the first half of 2024 as compared with the corresponding period of last year. In the first half of 2024, our revenue generated from dried food and other products decreased by 6.2% from RMB199.5 million for the corresponding period of last year to RMB187.1 million and its percentage of our total revenue decreased to 7.1% from 9.0% for the corresponding period of last year, primarily due to the fact that the sales price of by-products in such category, such as bran, husk and fractioned rice, declined in line with the market conditions, which in turn led to the decrease in sales revenue of by-products.

OUR SALES NETWORK

The Group's customers include corporate customers and individual customers. We started building our network from cooperating with online channels, partnered with multiple e-commerce platforms with leading positions, wide consumer outreach and high brand awareness in China and established leadership under multiple categories in terms of market share. In line with the developing landscape of the offline retail ecosystem, we have successfully established an extensive presence across our modern retail channels. Leveraging our competitive advantages on online channels, we have further deepened our sales channel penetration and established a multichannel sales network.

The table below sets forth a breakdown of our revenue by sales channel for the periods indicated:

Sales channel	Six months ended June 30,		2023	
	2024	% of total	RMB'000	% of total
	<i>RMB'000</i>	<i>revenue</i>		<i>revenue</i>
Online channels				
– E-commerce platforms	1,095,938	41.8%	1,329,848	59.7%
– Online self-operated stores	680,319	26.0%	224,442	10.1%
Modern retail channels¹	393,223	15.0%	290,891	13.1%
Direct customers²	321,654	12.3%	259,443	11.6%
Distribution network	129,431	4.9%	122,579	5.5%
Total	<u>2,620,565</u>	<u>100.0%</u>	<u>2,227,203</u>	<u>100.0%</u>

Notes:

1. Modern retail channels mainly include NKAs and LKAs which provide our products to end-consumers.
2. Direct customers primarily consist of catering companies, agricultural products companies, and other corporate and individual customers.

During the Reporting Period, our revenue from online channels accounted for the majority of our total revenue. Revenue generated from online channels increased by 14.3% from RMB1,554.3 million for the corresponding period of last year to RMB1,776.3 million during the Reporting Period. Among which, our revenue from e-commerce platforms decreased by 17.6% from RMB1,329.8 million for the corresponding period of last year to RMB1,095.9 million during the Reporting Period, primarily because we adjusted our channel structure, and reduced our investment in several channels with low gross profit. Revenue from online self-operated stores increased by 203.2% from RMB224.4 million for the corresponding period of last year to RMB680.3 million during the Reporting Period, mainly due to the increase in sales as we opened new stores on certain social e-commerce platforms and increased promotion and brand exposure. Revenue generated from modern retail channels increased by 35.2% from RMB290.9 million for the corresponding period of last year to RMB393.2 million during the Reporting Period, which was mainly due to increased sales volume, resulting from our continuous

cultivation of channels and establishment of partnership with high-quality customers. Revenue from direct customers increased by 24.0% from RMB259.4 million for the corresponding period of last year to RMB321.7 million during the Reporting Period, which reflected the Company's active efforts in direct customer expansion, especially strengthening the cooperation with catering companies. Revenue from distribution network increased by 5.5% from RMB122.6 million for the corresponding period of last year to RMB129.4 million during the Reporting Period, which reflected the Company's continuous exploration of distribution channels during the Reporting Period.

OUR PRODUCTION

In order to offer premium products to our consumers, we procure raw materials from renowned places of origin for grains. We have established long-term and stable relationships with a wide range of suppliers across product categories. Specifically, our core grain production areas include Shenyang Xinmin, Wuchang, Songyuan, Tonghe, and Aohan. The rice originating from Wuchang, and millet originating from Aohan, are China National Geographical Indication Products. We also purchase raw materials for whole grain, bean and dried food products from other renowned places of origin, including red beans from Daqing, Heilongjiang Province, mung beans from Inner Mongolia, and peanuts from Fuyu, Jilin Province.

In order to lock in high-quality raw grains in core production areas, in addition to purchasing from suppliers, we have engaged farmers for contract farming, and in 2024, we also increased the amount of grains self-cultivated by the Company. Our planting businesses mainly focus on the planting of Daoxiang rice in the Wuchang production base, as well as the planting of high-quality corn varieties in the Xinmin, Wuchang, and Aohan production bases.

We constantly optimize our production process, explore and develop the production technology and techniques to maintain the good taste and preserve the nutritional value of our products, thus satisfying the preferences of our consumers. Our production process is highly standardized and automated. In addition, we have made substantial investment in purchasing advanced production machinery and equipment. Our production team members work closely to continuously maintain our production machinery and equipment to meet our high production standards and improve our production efficiency. As of June 30, 2024, we had established the following production bases in proximity to the five core grain production areas in China, namely Shenyang Xinmin production base, Wuchang production base, Songyuan production base, Tonghe production base and Aohan production base.

FOOD SAFETY AND QUALITY CONTROL

Food safety and product quality are our top priority. We are committed to offering safe and premium food to maintain consumer confidence in our products and strengthen our brand recognition. We have implemented stringent food safety and quality control standards and measures throughout our operations, covering steps from procurement, production and storage to sales. To achieve systematic quality management, our quality assurance team focuses on implementing a group-level quality control plan through the implementation and maintenance of our quality control system, and is responsible for quality inspection of raw materials, semi-finished products and finished products, as well as product shelf-life management.

OUR INFORMATION TECHNOLOGY

The IT systems utilized by the Group cover various aspects of our operations, including raw materials supply, production, operation and logistics. Our IT team is responsible for developing and maintaining IT systems in line with our business expansion and creating customized solutions to meet our business needs. We have developed and implemented a supply chain management system to integrate resources along the supply chain and align value propositions with the aim of decreasing our upfront costs. In addition, we use ERP system, TMS, warehousing management system, CRM system, cloud office system and OA system to complement each other to achieve a series of functions such as product operation and data management.

FINANCIAL REVIEW

Revenue and Gross Profit

During the Reporting Period, the Group recorded a revenue of RMB2,620.6 million, representing an increase of 17.7% as compared with RMB2,227.2 million in the first half of last year, primarily because (i) we continued to cultivate our categories in existence, attach importance to customer needs and feedback, and expand the multi-category product portfolio based on the philosophy of healthy and safe diet; and (ii) we paid constant and close attention to the overall industry trends, adjusted our business arrangement, gave full play to our own characteristics and advantages, enhanced our brand effect and brand competitiveness, and satisfied the diverse consumer needs.

Gross profit of the Group during the Reporting Period amounted to RMB444.3 million, representing an increase of RMB118.0 million from RMB326.3 million in the first half of last year. Gross profit margin of the Group increased from 14.7% in the first half of last year to 17.0% for the Reporting Period, primarily because we (i) continued to adjust our product structure and selling price, (ii) continued to adjust our channel structure and strategic layout, and reduced our involvement in certain channels with low gross profit.

Other Net Income

Other net income of the Group decreased from RMB9.4 million in the first half of last year to RMB8.0 million during the Reporting Period, mainly due to the comprehensive effect of the fair value change losses from the financial assets measured at fair value and reversing the difference between the amount of litigation provision in the estimated liabilities of the previous year and the amount of judgment.

Gains Arising from Changes in Fair Value of Biological Assets

The Group planted corn and paddies during the Reporting Period. As of June 30, 2024, part of our corn has completed pollination and undergone changes in biological state, thus generating a fair value gain of RMB3.5 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased by 47.9% from RMB162.0 million in the first half of last year to RMB239.6 million during the Reporting Period, primarily due to changes in the structure of our sales channels and a significant increase in commission expenses related to social e-commerce platforms.

Administrative Expenses

Administrative expenses of the Group decreased from RMB76.9 million in the first half of last year to RMB73.2 million during the Reporting Period, mainly due to the fact that it incurred listing expenses of RMB24.1 million in the first half of 2023, whereas during the Reporting Period, there was no listing expense as the Company had been listed on October 12, 2023. In addition, the Company's expert consultation fees increased as compared with the first half of last year. Such combined factors led to a decrease in administrative expenses.

Impairment Losses Charged/Reversed on Trade and Other Receivables

Impairment losses charged/reversed on trade and other receivables of the Group changed from a impairment loss reversed of RMB1.1 million in the first half of last year to an impairment loss charged of RMB2.1 million during the Reporting Period, mainly as a result of the increase of accounts receivable.

Finance Costs

Our finance costs increased by 60.0% from RMB5.0 million in the first half of last year to RMB8.0 million during the Reporting Period, primarily due to the increase in average balance of borrowings as compared with that of the first half of last year which resulted in an increase of interest expenses.

Changes in the Carrying Amount of Financial Instruments Issued to Investors

Our changes in the carrying amount of financial instruments issued to investors primarily relate to the financial instruments granted to certain investors of our Series A, Series B and Series C financing. The redemption rights related to financial instruments have automatically expired upon the listing of the Company's Shares on the Stock Exchange. Our changes in the carrying amount of financial instruments issued to investors in the first half of last year amounted to RMB114.2 million. In light of the expiration of redemption rights related to financial instruments, there were no changes in the carrying amount of financial instruments issued to investors during the Reporting Period.

Income Tax Expenses

Income tax expenses of the Group increased from RMB3.0 million in the first half of last year to RMB7.1 million during the Reporting Period, primarily due to the increase in the taxable income.

Profit/Loss for the Period

As a result of the foregoing, profit for the period of the Group increased from a loss of RMB24.3 million in the first half of last year to a profit of RMB125.8 million during the Reporting Period.

Non-IFRS Measure

To supplement the consolidated financial statements of the Group, which are presented in accordance with IFRS Accounting Standards, the Group also uses adjusted net profit (non-IFRS measure) as additional financial measures, which is not required by, or presented in accordance with IFRS Accounting Standards. The Group believes that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help the Group's management. However, the Group's presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for an analysis of, the Group's results of operations or financial condition as reported under IFRS Accounting Standards.

The Group defines adjusted net profit (non-IFRS measure) as net profit for the periods adjusted by adding back changes in fair value arising from equity investments, changes in the carrying amount of financial instruments issued to investors and listing expenses. The following table reconciles the adjusted net profit (non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS Accounting Standards, which is net profit or loss for the periods:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Reconciliation of net profit to adjusted net profit (non-IFRS measure)		
Profit/(loss) for the period	125,761	(24,301)
Add:		
Changes in fair value arising from equity investments ¹	23,109	–
Changes in the carrying amount of financial instruments issued to investors ²	–	114,196
Listing expenses ³	–	24,093
Adjusted net profit (non-IFRS measure)	148,870	113,988

Notes:

1. The profit or loss arising from changes in fair value of listed equity investments held by the Group.
2. Changes in the carrying amount of financial instruments issued to investors were primarily related to financial instruments granted to certain investors of our Series A, Series B and Series C financing.
3. Listing expenses primarily related to the initial public offering.

Adjusted net profit (non-IFRS measure) of the Group increased by 30.6% from RMB114.0 million in the first half of last year to RMB148.9 million during the Reporting Period, while the adjusted net profit margin (non-IFRS measure) rose from 5.1% to 5.7%, mainly due to the combined factors which contributed to the growth of net profit, including that we continued to adjust our product structure and selling price and implemented continuous adjustments to our channel structure and strategic layout, and reduced our involvement in certain channels with low gross profit which resulted in the increase in gross profit margin from 14.7% to 17.0%, plus that channel changes led to an increase in expense ratios.

Inventories

Inventories of the Group decreased by 30.2% from RMB1,604.8 million as of December 31, 2023 to RMB1,119.9 million as of June 30, 2024. Inventory turnover days of the Group decreased from 127 days in 2023 to 115 days during the Reporting Period, mainly due to the fact that the procurement of raw materials by the Company is subject to seasonal fluctuations, with raw grain purchases made in the fourth quarter of each year in most case, whereas during the Reporting Period, we used raw materials for production, the inventory balance of which had dropped off as of June 30, 2024.

Biological Assets

The Group planted corn and paddies successively during the Reporting Period. The valuation on the fair value of its biological assets as of June 30, 2024 was carried out by an independent valuer, among which, the fair values of corn and paddies grown amounted to RMB31.5 million and RMB10.0 million respectively.

Trade and Other Receivables

Trade receivables of the Group increased by 21.7% from RMB242.8 million as of December 31, 2023 to RMB295.6 million as of June 30, 2024. Turnover days of trade receivables decreased from 24 days in 2023 to 18 days during the Reporting Period, mainly because we intensified our efforts to collect and manage trade receivables.

Other receivables of the Group remained relatively stable, decreasing from RMB170.0 million as of December 31, 2023 to RMB165.7 million as of June 30, 2024, among which, the refundable value-added tax was deducted during the Reporting Period, with the amount declining.

Financial Assets Measured at FVPL

The financial assets measured at FVPL held by the Group as at June 30, 2024, included equity investments of RMB494.4 million in listed companies for the intention of strategic cooperation and investment, and wealth management products of private funds which were subscribed with idle funds for the purpose of cash management amounting to RMB343.9 million (inclusive of idle proceeds from global offering amounting to HK\$280 million).

Trade and Other Payables

Trade payables of the Group increased by 3.3% from RMB137.6 million as of December 31, 2023 to RMB142.2 million as of June 30, 2024. Trade payables turnover days decreased from 13 days in the previous year to 12 days during the Reporting Period, which remained relatively stable.

Other payables of the Group decreased by 1.1% from RMB104.3 million as of December 31, 2023 to RMB103.2 million as of June 30, 2024, mainly attributable to (i) the payment of the payables for construction and purchase of property, plant and equipment, and the listing expenses, and (ii) the increase in dividends payable of the Company by RMB33.1 million, partially offsetting the decline of other payables.

Contract Liabilities

Our contract liabilities were short-term receipts in advance from customers. All of the contract liabilities are expected to be recognized as revenue within one year. Contract liabilities of the Group decreased by 41.9% from RMB13.6 million as of December 31, 2023 to RMB7.9 million as of June 30, 2024, mainly due to the fact that during the Reporting Period, the Group fulfilled its obligations of contractual liabilities, and affected by the seasonality of sales, as of June 30, 2024, the demand of some customers decreased as compared with that of December 31, 2023, the eve of the Spring Festival.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Cash and cash equivalents of the Group decreased by 58.7% from RMB1,427.2 million as of December 31, 2023 to RMB588.8 million as of June 30, 2024, mainly due to the repayment of borrowings and the utilization of idle funds to purchase wealth management products by the Group during the Reporting Period.

Bank Loans

Bank loans of the Group decreased by 50.5% from RMB1,011.1 million as of December 31, 2023 to RMB500.4 million as of June 30, 2024, mainly due to the repayment of borrowings by the Group during the Reporting Period.

Gearing Ratio

As at June 30, 2024, gearing ratio of the Group (total liabilities/total assets) reached 20.0%, which was lower than gearing ratio of 28.5% as at December 31, 2023, mainly due to the decrease in the amount of liabilities resulting from the repayment of borrowings by the Group.

Financial Risks

We have adopted risk management program to focus on minimizing potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, currency risk and fair value measurement risk.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As of June 30, 2024, our Group's credit risk was primarily attributable to trade receivables. Our Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which our Group is considered to have low credit risk. Our Group does not provide any guarantees which would expose our Group to credit risk.

Liquidity Risk

The treasury function is centrally managed by our Group, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. Our Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and investors to meet its liquidity requirements in the short and long term.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group's interest rate risk arises primarily from interest-bearing borrowings issued at variable rates and at fixed rates, which expose our Group to cash flow interest rate risk and fair value interest rate risk, respectively.

Currency Risk

The Group is exposed to currency risk primarily from cash balances that are denominated in a foreign currency. The currencies giving rise to this risk are primarily USD and HK\$.

CONTINGENT LIABILITIES

As of June 30, 2024, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURES

As of June 30, 2024, the Group had capital commitments of approximately RMB67.5 million (as of December 31, 2023: RMB97.5 million), mainly used for purchase and construction of buildings, machinery and equipments.

For the six months ended June 30, 2024, the Group's capital expenditure amounted to approximately RMB89.2 million (for the six months ended June 30, 2023: RMB143.0 million), mainly used for purchase of property, plant and equipment and land-use-rights.

PLEDGED ASSETS

As at June 30, 2024, the aggregate carrying value of the property, plant and equipments and land-use-rights pledged for the Group's bank loans was RMB306.9 million (as of December 31, 2023: RMB434.3 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

As of June 30, 2024, the Group's equity investments in listed companies totalled RMB494.4 million, accounting for 11.3% of the Group's total assets as at June 30, 2024. In accordance with Paragraph 32(4A) of Appendix D2 to the Listing Rules, details of significant investments measured at FVPL with a value accounting for 5% or more of the Group's total assets as at June 30, 2024 are set out below:

Company Name (Stock Code)	Migao Group Holdings Limited (9879.HK)	Sichuan Baicha Baidao Industrial Co., Ltd. (2555.HK) (“Chabaidao”)
Date of Investment	March 21, 2024	April 23, 2024
Principal Activities	Manufacturing and trading of specialty potash-based fertilizers	Sale of goods and equipment to franchisees, as well as royalty and franchising income from franchisees
Number of shares of relevant companies held by the Group	40,098,000	22,323,400
Shareholding ratio of the Group in relevant companies	4.4%	1.5%
Initial capital contribution from the Group (RMB'000)	152,576	364,887
Gains/(profits or losses) from changes in fair value of such investments recognized during the Reporting Period (RMB'000)	70,664	(93,773)
Fair value of such investments as at June 30, 2024 (RMB'000)	223,240	271,114
Proportion of fair value of such investments as at June 30, 2024 to the Group's total assets	5.1%	6.2%

The fair value of listed equity investments is determined based on the quoted market bid price (Level 1: quoted price in active markets). Due to the withdrawal of dividends distribution by Chabaidao subsequent to the Reporting Period, the ex-dividends corresponding to such dividends were restored, amounting to RMB6.3 million. During the Reporting Period, the Group did not receive any dividends from the above listed equity investments.

The Group's investment objectives primarily revolve around the pursuit of strategic collaborations with both upstream and downstream enterprises, thereby instilling greater impetus for stable operation and growth in the future. The Group holds positive views towards the future prospect of the principal activities involved in the above equity investments and deems its investments therein to possess strategic investment value. The Board did not alter the Group's investment strategy due to short-term market volatilities.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the aforementioned two listed equity investments are both less than 5%, such investments did not constitute notifiable transactions under Chapter 14 of the Listing Rules. Save as disclosed above, the Group neither had any significant investments held, nor any material acquisition or disposal of any relevant subsidiaries, associates and joint ventures during the Reporting Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the “Future Plans and Use of Proceeds” disclosed in the Prospectus, the Group did not have any existing plan for acquiring other material investments or capital assets during the Reporting Period and as of the date of the Announcement.

OTHER INFORMATION

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as a code of conduct regarding securities transactions by the Directors and Supervisors since the Listing Date. Having made specific enquiries with each Director and each Supervisor, they have confirmed that they have complied with the Model Code during the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. During the Reporting Period and up to the date of the Announcement, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, except for the deviation from code provision C.2.1.

In accordance with code provision C.2.1 of Part 2 of the Corporate Governance Code, the roles of chairman and general manager should be separate and should not be performed by the same individual. However, the Company does not have a separate role of chairman and general manager and the responsibilities of chairman and general manager are both undertaken by Mr. WANG Bing. The Board believes that having the same person assume the responsibilities of chairman and general manager is conducive to ensuring consistent leadership within the Group and making the Group’s overall strategic planning more effective and efficient. In addition, since there are three independent non-executive Directors among the nine Directors in total of the Board, there will be sufficient independent voices in the Board to protect the interests of the Company and Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and monitor the corporate governance code practices of the Company with an aim of maintaining a high standard of corporate governance.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are carried out primarily in the PRC, while the Shares of the Company are listed on the Stock Exchange. The businesses operated by us are subject to the laws of relevant jurisdictions in the PRC, Hong Kong and other related areas. During the six months ended June 30, 2024 and as of the date of the Announcement, we have complied with relevant laws and regulations that have a significant impact on the Group in the applicable jurisdictions. During the Reporting Period, the Group did not have any material non-compliance with such laws and regulations.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares). As of the end of the Reporting Period, the Company or its subsidiaries did not hold any treasury shares.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On October 12, 2023, the Company's H Shares were listed on the Stock Exchange, and the net proceeds from the global offering were approximately HK\$716.4 million after deducting underwriting commissions and other related expenses. Up to June 30, 2024, the Group had utilized approximately HK\$161.51 million of the proceeds for the intended purposes set out in the Prospectus, and the remaining unutilized proceeds amounted to approximately HK\$554.89 million. The balance of the proceeds from the listing will continue to be utilized according to the intended purposes and the planned schedule as mentioned above. Please see the table below for details:

Intended Use	Approximate % of total net proceeds	Net proceeds from the global offering (HK\$ million)	Unutilized net proceeds as of January 1, 2024 (HK\$ million)	Utilized	Utilized net proceeds up to June 30, 2024 (HK\$ million)	Unutilized net proceeds as at June 30, 2024 (HK\$ million)	Expected timeline for utilization of the balance of the net proceeds
				net proceeds during the six months ended June 30, 2024 (HK\$ million)			
Enhancing our cooperation with suppliers and strengthening our procurement capability	35%	250.74	250.74	134.60	134.60	116.14	By the end of 2025
Expanding our production capacity, upgrading existing production lines, broadening the geographic coverage of our warehousing and logistics, and providing funds for production activities related to our business expansion	30%	214.92	214.92	17.99	17.99	196.93	By the end of 2025
Expanding our channel coverage and establishing our sales ecosystem	10%	71.64	71.64	5.45	5.45	66.19	By the end of 2025
Enhancing our brand equity	10%	71.64	71.64	3.37	3.37	68.27	By the end of 2025
Constructing our digital middle platform system	5%	35.82	35.82	0.00	0.00	35.82	By the end of 2025
Working capital and general corporate purposes	10%	71.64	71.54	0.00	0.10	71.54	By the end of 2025
Total	<u>100%</u>	<u>716.40</u>	<u>716.30</u>	<u>161.41</u>	<u>161.51</u>	<u>554.89</u>	

The Company has utilized part of the net proceeds from the global offering of Shares and will gradually utilize the net proceeds in accordance with the intended purposes as stated in the Prospectus. In order to enhance the capital usage efficiency, reasonably utilize the temporarily idle proceeds raised from the global offering and realize value preservation and appreciation of the proceeds of the Company and protect the interests of Shareholders of the Company, without affecting the normal operation activities of the Company, as approved by the 2023 annual general meeting of the Company held on June 7, 2024 for the cash management purpose, it was proposed to utilize up to HK\$280 million of the proceeds which were expected to remain idle for more than one year to appropriately purchase wealth management products with high security, positive liquidity and a term of maturity not exceeding 12 months, within

12 months from the date when it was considered and approved at the 2023 annual general meeting. The above amount can be utilized on a rolling basis during the above-mentioned investment period of 12 months. The return from the cash management belongs to the Company. There is no material impact on the normal use of the proceeds according to the intended purposes as disclosed in the Prospectus and the normal operations of the Company. For details, please refer to the Company's announcement dated May 13, 2024 and circular dated May 16, 2024. As of June 30, 2024, the Company had used approximately HK\$280 million to subscribe for short-term wealth management products, which did not constitute a notifiable transaction under Chapter 14 and/nor a connected transaction under Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the Corporate Governance Code. As at the date of the Announcement, the Audit Committee comprises one non-executive Director (namely Mr. CHANG Bin) and two independent non-executive Directors (namely Mr. SHI Ketong and Mr. YEUNG Chi Tat) of the Company. Mr. YEUNG is the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters with the management of the Company, and has also reviewed the Group's unaudited interim results for the six months ended June 30, 2024.

REVIEW OF INTERIM FINANCIAL INFORMATION

The financial information set out in this announcement represents an extract from the interim financial report for the six months ended June 30, 2024, which is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended June 30, 2024.

HUMAN RESOURCES AND REMUNERATION POLICY

The Company has always adhered to the “people-oriented” employment philosophy, strengthened the construction of the talent system, and promoted the growth of talent capabilities, thereby driving the business development of the Company. In implementing the employment strategy that integrates “internal training” and “external introduction”, the Company pays more attention to the cultivation of internal talents while constantly carrying out the “Management Trainee Program”. In the first half of 2024, the Company established collaborative partnerships such as “employment base” and “internship base” for talents with relevant schools and departments of certain universities such as Dalian University of Technology, Liaoning University, and Heilongjiang University to ensure the input of exceptional graduates.

The Company places a strong emphasis on employee training to improve employees’ professional and comprehensive capabilities. We consistently provide new recruits with induction training encompassing corporate culture, business operations, management knowledge, etc., enabling employees to be swiftly assimilated into and adaptive to their positions. The Company also provides comprehensive training and development for its employees through the establishment of internal training forum, commerce academies, etc., which facilitates employees to become well-rounded talents with managerial thinking.

Moreover, the Company has comprehensively sorted out and enhanced its operational procedures pertaining to employee relations in order to streamline the processes, achieve online and automated procedures as far as possible aiming to enhance administrative efficiency, and provide employees with a more standardized and convenient service experience.

In terms of salary, the Company has gradually improved its salary system. On the basis of ensuring internal fairness, it appropriately favors key positions and core employees to maintain the market competitiveness of the salary for outstanding talents. Meanwhile, it adheres to the principle that employee salary is closely related to company benefits and may fluctuate. The Company has continued to flexibly use a variety of salary structures and models to meet the needs of employee management and motivation in different scenarios, such as implementing piece-rate wages and performance-linked incentives for front-line employees at production line. By continuously improving the performance-linked salary incentive model for offline sales personnel and progressively broadening its scope of application, the Company has accomplished a win-win synergy of escalating performance level alongside increased employee income. The Company handles and pays various social insurance and housing provident funds in accordance with relevant national laws, regulations and local policy documents, withholds and pays personal income tax of employees, and guides employees to complete their consolidation and final settlement of personal income tax for the previous year.

As at June 30, 2024, we had 2,058 full-time employees, most of whom were located in Shenyang, Wuchang and Beijing.

SHARE SCHEME

During the six months ended June 30, 2024, the Company and its major subsidiaries did not have any share scheme.

SUBSEQUENT EVENTS

Subsequent to 30 June 2024 and up to the date of this Announcement, the Company redeemed certain investment in wealth management products with the aggregate amount of RMB66.1 million.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This Announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shiyuedaotian.com). The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be available on the above websites in due course.

DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	Shiyue Daotian Group Co., Ltd. (十月稻田集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange with stock code of 9676
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“CRM system”	customer relationship management system
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB0.10 each, which are subscribed for and paid up in RMB
“ERP system”	enterprise resource planning system

“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign Shares in the share capital of the Company with a nominal value of RMB0.10 each, which are traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	October 12, 2023
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LKA(s)”	regional supermarket, hypermarket and convenience store operator(s)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“NKA(s)”	national supermarket, hypermarket and convenience store operator(s)
“OA system”	office automation system
“Prospectus”	the prospectus issued by the Company on September 28, 2023 in relation to our global offering and listing
“Reporting Period”	January 1, 2024 to June 30, 2024
“RMB”	the lawful currency of the PRC
“Share(s)”	Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of our Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“TMS”	transportation management system
“treasure shares”	has the meaning ascribed to it under the Listing Rules
“USD”	United States dollars, the lawful currency of the United States

By order of the Board
Shiyue Daotian Group Co., Ltd.
Mr. WANG Bing
Chairman and Executive Director

Beijing, the PRC, August 29, 2024

As at the date of this announcement, the Board comprises Mr. WANG Bing, Ms. ZHAO Wenjun, Ms. ZHAO Shulan, Mr. SHU Minghe and Mr. ZOU Hao as executive Directors; Mr. CHANG Bin as non-executive Director; and Mr. SHI Ketong, Mr. YEUNG Chi Tat and Mr. LIN Chen as independent non-executive Directors.