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Zhengwei Group Holdings Company Limited
正味集团控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2147)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2024 was approximately RMB298.1 million, representing an increase of approximately 55.5% from approximately RMB191.7 million for the six months ended 30 June 2023.
- Net loss for the six months ended 30 June 2024 was approximately RMB40.6 million, as compared to net profit of approximately RMB29.7 million for the six months ended 30 June 2023.
- Gross profit for the six months ended 30 June 2024 was approximately RMB1.1 million, representing a decrease of approximately 98.3% from approximately RMB64.6 million for the six months ended 30 June 2023.

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Zhengwei Group Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**” or “**6MFY2024**”), together with comparative figures for the corresponding period in 2023 (“**6MFY2023**”) as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	298,106	191,722
Cost of sales		<u>(297,019)</u>	<u>(127,160)</u>
Gross profit		1,087	64,562
Other revenue		3,677	329
Other gains and losses		–	1,205
Distribution and selling expenses		(6,751)	(14,513)
Administrative expenses		(18,785)	(14,753)
Finance costs	6	<u>(145)</u>	<u>(1,268)</u>
(Loss)/profit before income tax credit/(expense)		(20,917)	35,562
Income tax expense	7	<u>(19,653)</u>	<u>(5,900)</u>
(Loss)/profit for the period		<u><u>(40,570)</u></u>	<u><u>29,662</u></u>
Total comprehensive (expense)/income for the period attributable to:			
Owner of the Company		<u><u>(40,570)</u></u>	<u><u>29,662</u></u>
(Loss)/earnings per share – Basic and diluted (RMB)	9	<u><u>(0.05)</u></u>	<u><u>0.04</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	101,452	107,149
Right-of-use assets		5,863	6,032
Prepayment for acquisition of land use rights	12	9,525	9,525
Goodwill		269	269
Financial asset at fair value through other comprehensive income		1,354	1,354
Deferred tax assets, net		837	797
Total non-current assets		119,300	125,126
Current assets			
Inventories		79,080	98,272
Trade receivables	11	59,083	92,300
Prepayments, deposits and other receivables	12	27,630	7,736
Right of return assets		156	156
Cash and cash equivalents		189,126	199,186
Total current assets		355,075	397,650
Total assets		474,375	522,776
Current liabilities			
Trade payables	13	42,750	48,360
Contract liabilities		–	9
Other payables and accruals		7,198	16,774
Borrowings	14	541	18,199
Lease liabilities		84	84
Income tax payable		7,624	2,415
Total current liabilities		58,197	85,841
Net current assets		296,878	311,809

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Total assets less current liabilities		<u>416,178</u>	<u>436,935</u>
NET ASSETS		<u>416,178</u>	<u>436,935</u>
Capital and reserves attributable to owners of the Company			
Share capital	<i>15</i>	66,944	55,580
Reserves		<u>349,234</u>	<u>381,355</u>
TOTAL EQUITY		<u>416,178</u>	<u>436,935</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Zhengwei Group Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 30 June 2020, as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**HKEx**”) on 13 January 2023.

The registered office of the Company is located at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands. Its principal place of business is 487 Yuhu Road, Jingji Development Area, Xiaolan, Nanchang County, Nanchang City, Jiangxi Province, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company and the Group, comprising the Company and its subsidiaries, is principally engaged in sourcing, processing and trading of dried delicacies, snacks, dried aquatic products, grains, seasonings and others in the PRC.

The ultimate controlling parties of the Group are Mr. Yang Shengyao (“**Mr. Yang**”) and Ms. Lin Qiuyun (“**Ms. Lin**”, together with Mr. Yang, the “**Controlling Shareholders**”), the spouse of Mr. Yang, who are the executive Director and the chairman of the Company and the executive Director, respectively.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 December 2023 (the “**2023 Annual Financial Statements**”), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2024.

The preparation of these condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. The details are disclosed in Note 4.

These condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated financial statements contain 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 for the six months ended 30 June 2024. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRS**”) and should be read in conjunction with the 2023 Annual Financial Statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis. These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2023 Annual Financial Statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2024.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 Annual Financial Statements.

5. REVENUE

The Group is principally engaged in sourcing, processing and trading of dried delicacies, snacks, dried aquatic products, grains, seasonings and others in the PRC.

Revenue represents the net invoiced value of goods supplied and earned by the Group.

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Dried delicacies	177,396	48,518
Snacks	46,071	90,735
Dried aquatic products	21,259	40,700
Grains	6,931	10,141
Seasonings and others	46,449	1,628
	<u>298,106</u>	<u>191,722</u>
Timing of revenue recognition		
At a point in time	<u>298,106</u>	<u>191,722</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on borrowings	<u>145</u>	<u>1,268</u>

7. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statements of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax (the “ PRC EIT ”) – for the period	<u>19,693</u>	<u>5,443</u>
Deferred tax – for the period	<u>(40)</u>	<u>457</u>
Income tax expenses	<u>19,653</u>	<u>5,900</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “**BVI**”), the Company incorporated in the Cayman Islands and the Company’s subsidiary incorporated in the BVI are not subject to any income tax.

Hong Kong profits tax for the Company’s subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC EIT of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the following two subsidiaries. Jiangxi Zhengwei Food Co., Limited* (江西正味食品有限公司) and Guangchang County Zhenglian Biotechnology Co., Limited* (廣昌縣正蓮生物科技有限公司) were approved for the High and New Technology Entities (“**HNTE**”) qualification under the PRC EIT law and its relevant regulations and are entitled to a preferential tax rate of 15%.

8. DIVIDENDS

No interim dividend in respect of the six months ended 30 June 2024 has been proposed by the Directors (Six months ended 30 June 2023: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of computation of basic and diluted (loss)/earnings per share (<i>RMB'000</i>)	<u>(40,570)</u>	<u>29,662</u>
Weighted average number of ordinary shares for the purpose of computation of basic and diluted (loss)/earnings per share (<i>'000</i>)	<u>841,967</u>	<u>786,667</u>
Basic and diluted (loss)/earnings per share (<i>RMB</i>)	<u>(0.05)</u>	<u>0.04</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six-month period ended 30 June 2023 included the weighted average number of shares pursuant to issuance of shares of 200,000,000 shares and 600,000,000 shares assumed to be in issue throughout the six-month period ended 30 June 2023.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2024 and 2023.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, additions to the Group's property, plant and equipment were approximately RMB7,000 (30 June 2023: approximately RMB74,000).

11. TRADE RECEIVABLES

The Group's trading term with customers is mainly on credit. The credit terms are generally 30 to 90 days.

An ageing analysis based on the invoice date as of 30 June 2024 and 31 December 2023 is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 month	56,795	62,392
1 to 2 months	–	29,908
Over 2 months	<u>2,288</u>	<u>–</u>
	<u>59,083</u>	<u>92,300</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Non-current		
Prepayment for acquisition of land use rights	<u>9,525</u>	<u>9,525</u>
Current		
Prepayments	423	451
Value added tax recoverable	6,054	7,061
Other tax recoverable	21,006	–
Deposit	<u>147</u>	<u>224</u>
	<u>27,630</u>	<u>7,736</u>
(a)	<u><u>37,155</u></u>	<u><u>17,261</u></u>

Note:

- (a) The carrying amounts of prepayments and deposits were primarily denominated in RMB and approximated their fair values due to their short maturity as at the reporting date.

13. TRADE PAYABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade payables	<u><u>42,750</u></u>	<u><u>44,360</u></u>

An ageing analysis of trade payables based on the invoice dates as at the respective reporting dates is as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 6 months	<u>42,750</u>	<u>44,360</u>

14. BORROWINGS

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Current		
Bank loans – secured	<u>541</u>	<u>18,199</u>
Total borrowings	<u>541</u>	<u>18,199</u>

15. SHARE CAPITAL

	Number	Par value per share US\$	Amount US\$'000	Amount RMB'000
Ordinary shares				
As at 1 January 2023 (audited), 31 December 2023 (audited), and 30 June 2024 (unaudited)	<u>8,000,000,000</u>	<u>0.01</u>	<u>80,000</u>	<u>1,272</u>
1 January 2023 (audited)	<u>5,263,200</u>	<u>0.01</u>	<u>53</u>	<u>372</u>
Issuance of shares for				
Capitalisation issue (<i>Note (i)</i>)	594,736,800	0.01	5,947	41,313
Issuance of new shares upon listing (<i>Note (ii)</i>)	<u>200,000,000</u>	<u>0.01</u>	<u>2,000</u>	<u>13,895</u>
As at 31 December 2023 (audited)	800,000,000	0.01	8,000	55,580
Placement of new shares (<i>Note (iii)</i>)	<u>160,000,000</u>	<u>0.01</u>	<u>1,600</u>	<u>11,364</u>
As at 30 June 2024 (unaudited)	<u>960,000,000</u>	<u>–</u>	<u>9,600</u>	<u>66,944</u>

Notes:

- (i) Pursuant to another resolutions of the shareholders passed on 16 December 2022, subject to the share premium account of the Company being credited as a result of the share offer, the directors were authorised to allot and issue a total of 594,736,800 shares credited as fully paid at par to the holders of the shares on the register of members of the Company at the close of business on 15 December 2022 in proportion to their shareholdings by way of capitalisation of the sum of HK\$5,947,368 standing to the credit of the share premium account of the Company (the “**Capitalisation Issue**”). The Capitalisation Issue is effective upon listing on 13 January 2023, pursuant to the written resolutions of the shareholders passed on 16 December 2022. The shares allotted and issued rank pari passu in all respects with the existing issued shares.
- (ii) On 13 January 2023, the Company issued 200,000,000 new shares at a price of HK\$0.68 per share, resulting in the receipt of gross proceeds of HK\$136,000,000 (equivalent to approximately RMB121,491,000) (before share issue expenses).
- (iii) On 14 May 2024, the Company issued 160,000,000 new shares by way of placement at a price of HK\$0.138 per share, resulting in the receipt of gross proceeds of approximately HK\$22,080,000 (equivalent to approximately RMB20,068,000) (before share placement expenses).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly produces, and to a lesser extent trade, dried food products and snacks in Jiangxi Province in the PRC, and to a lesser extent, Sichuan Province and Hubei Province in the PRC.

Manufacturing business

For the manufacturing business, the Group produces and sells a variety of (i) snacks (including vegetable snacks and meat snacks) such as bamboo shoots crisps and roasted duck necks; and (ii) packaged dried food products such as fungi, dried aquatic products, algae, grains and seasonings in the PRC. The Group generally (i) sources raw materials from its suppliers; (ii) processes the raw materials and package products at its own production facilities; and (iii) sells the products under the Group's own "Shengyao (聲耀)" and "Ganweifang (贛味坊)" brands to customers including retailers such as supermarkets and grocery stores, corporate customers and other individual customers in the PRC as well as e-commerce channel on Tmall.com.

Trading business

For the trading business, the Group purchases dried candied fruit, nuts and other products in bulk from suppliers and sell to retailers and corporate customers without further processing in the PRC.

Sales channels and customer base

Having over 20 years of history and experience in dried food production and the continuous commitment and effort in maintaining high quality product and emphasis on food safety, the Group has established a solid customer base, including retailers such as supermarkets and grocery stores, corporate customers and other individual customers. Some of the Group's products are sold at concessionary counters in supermarkets where the promoters will promote and interact face-to-face with end consumers to provide useful product information tailored to the interests and needs of individual consumers. During 6MFY2024, the Group's products were mainly sold and delivered to customers located in Jiangxi Province, Hubei Province, Zhejiang Province and Sichuan Province in the PRC.

Production facilities

As at the date of this announcement, the Group has two production facilities in Nanchang and Guangchang, namely the Nanchang plant (the "**Nanchang Plant**") and the Guangchang plant (the "**Guangchang Plant**"), in Jiangxi Province, the PRC. The Nanchang Plant is specialised in the processing and packaging of dried food products and the Guangchang Plant is equipped with cooking equipment which is dedicated for the production of snacks.

PROSPECT

As consumers are constantly evolving with their tastes and preferences, the Group will continuously develop and introduce new snack products to keep up with consumer trends. The Group will conduct internal research on popularity of different snacks products and obtain feedback from its retailer customers on acceptance of new flavours and purchase pattern of end consumers in the market. The Group intends to introduce new vegetable snacks such as mushrooms, and new meat snacks such as boneless chicken feet, beef jerky, pork trotters, quail eggs and quail meat snacks. With the long-term and established relationship with the Group's retailer customers, the Directors consider that the Group already has established stable sales channels to sell and market new snack products readily.

In the future, the Group will continue to enhance marketing efforts and expand sales channels to maximise the exposure of its own brands and the accessibility of products to end consumers across the PRC in order to maximise returns for shareholders. In particular, the Group intends to (i) expand sales network and concessionary counter network in supermarkets in Southwestern China, in particular, in Sichuan Province, the PRC; (ii) strengthen marketing and promotional efforts in cooperation with supermarket chain customers; and (iii) expand marketing efforts by advertising snacks products through traditional media such as television and commercial broadcasts, at high-traffic locations and social media platforms such as WeChat.

FINANCIAL REVIEW

Revenue

During 6MFY2024, the revenue of the Group mainly represented (i) the sales from manufacturing of snacks and dried food products; and (ii) the sales from trading of snacks and dried food products.

During 6MFY2024, the Group recorded a total revenue of approximately RMB298.1 million, representing an increase of approximately 55.5% from approximately RMB191.7 million for 6MFY2023. Such increase was mainly attributable to the increase of sales in dried delicacies and seasonings and others.

Cost of sales

The cost of sales of the Group mainly comprised of (i) direct materials costs; (ii) production costs; (iii) direct labour costs; and (iv) others.

For 6MFY2024, the Group's cost of sales was approximately RMB297.0 million, representing an increase of approximately 133.5% from approximately RMB127.2 million for 6MFY2023. Such increase was mainly due to the increase in direct material costs.

Gross profit and gross profit margin

For 6MFY2024, the Group recorded (i) gross profit of approximately RMB1.1 million, representing a decrease of approximately 98.3% from approximately RMB64.6 million for 6MFY2023; and (ii) gross profit margin of approximately 0.36%, representing a decrease of 33.34% from 33.7% for 6MFY2023. The decrease in gross profit and gross profit margin was mainly due to the increase in direct material costs resulting in the increase in cost of sales outweighing the increase in revenue.

Other revenue

Other revenue mainly comprised government grants, interest income from bank deposits and rental income. Government grants were one-off in nature and mainly represented grants received from the PRC local government authority as subsidies to the Group.

Other revenue of the Group increased from approximately RMB329,000 for 6MFY2023 to approximately RMB3.7 million for 6MFY2024, which was mainly attributable to the increase in interest income as a result of the increase in bank deposits.

Other gains and losses

Other gains and losses of the Group changed from a gain of approximately RMB1.2 million for 6MFY2023 to nil for 6MFY2024. Such change was primarily due to the decrease in foreign exchange gains and losses.

Distribution and selling expenses

The distribution and selling expenses of the Group decreased from approximately RMB14.5 million for 6MFY2023 to approximately RMB6.8 million for 6MFY2024.

Administrative expenses

Administrative expenses mainly comprised of research and development, staff cost, legal and professional expenses, depreciation and amortization, other taxes, entertainment and transportation expenses, office expenses and others. The administrative expenses of the Group increased from approximately RMB14.8 million for 6MFY2023 to approximately RMB18.8 million for 6MFY2024.

Income tax expense

The income tax expenses of the Group increased from approximately RMB5.9 million for 6MFY2023 to approximately RMB19.7 million for 6MFY2024. The increase was due to the increase in taxable income of a subsidiary of the Company.

Net loss for 6MFY2024

The Group's net loss for 6MFY2024 was approximately RMB40.6 million, as compared to net profit of approximately RMB29.7 million in 6MFY2023. The turnaround of profitability for 6MFY2024 was mainly due to the increase in direct material costs resulting in the increase in cost of sales outweighing the increase in revenue.

Net current assets

The net current assets of the Group increased from approximately RMB311.8 million as at 31 December 2023 to approximately RMB296.9 million as at 30 June 2024.

Liquidity and capital resources

To manage liquidity risk, the Board closely monitors the Group's liquidity position and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term.

	6MFY2024 RMB'000 (Unaudited)	6MFY2023 <i>RMB'000</i> (Unaudited)
Net cash (used in)/generated from operating activities	(11,922)	37,250
Net cash generated from investing activities	214	402
Net cash generated from financing activities	1,648	102,331
Net (decrease)/increase in cash and cash equivalents	(10,060)	<u>139,983</u>

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB189.1 million, representing a decrease of approximately 5.1% from approximately RMB199.2 million as at 31 December 2023.

Gearing ratio

The gearing ratio as at 30 June 2024 was approximately 0.2% (as at 31 December 2023: approximately 4.0%). Such decrease was mainly attributable to the decrease in borrowings of approximately RMB17.7 million.

Significant investment held

As at 30 June 2024, the Group had no significant investment with the fair value accounted for more than 5% of the Group's total assets.

Future plans for significant investments or capital assets

As at 30 June 2024, the Group had no future plans for significant investments or acquisitions of capital assets.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures for 6MFY2024.

Capital commitments and contingent liabilities

As at 30 June 2024, the Group had no significant capital commitments or contingent liabilities.

Foreign exchange risks

During 6MFY2024, the Group had not adopted any foreign currency hedging policy. However, our management will regularly monitor foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Placing of new shares under general mandate

On 14 May 2024, the Company entered into a placing agreement (the “**Placing Agreement**”) with Matrix Securities Limited (the “**Placing Agent**”) pursuant to which the Company appointed the Placing Agent as its agent to procure not less than six places to subscribe up to 160,000,000 new shares (the “**Placing Share(s)**”) at a price of HK\$0.138 per placing share on a best effort basis on the terms and subject to the condition of the Placing Agreement (the “**Placing**”).

On 5 June 2024, the Company completed the Placing to allot and issue the Placing Shares at HK\$0.138 each in accordance with the terms and conditions of the Placing Agreement. The net proceeds from the Placing were approximately HK\$20.8 million. As at 30 June 2024, the Group has not utilised any proceeds from the Placing. As at the date of this announcement, i.e. 30 August 2024, the Company has fully utilised the following amount according to the use of proceeds as disclosed in the announcement of the Company dated 14 May 2024:

	30 June 2024 RMB'000	30 August 2024 RMB'000
Net proceeds from the Placing	20,800	20,800
Less: Utilised for the general working capital of the Group	–	20,800
Unutilised proceeds	<u>20,800</u>	<u>–</u>

All the proceeds have been utilised as general working capital as at the date of this announcement.

Details of the Placing were disclosed in the announcements of the Company dated 14 May 2024 and 23 May 2024.

The total issued shares of the Company as at 30 June 2024 were 960,000,000 shares.

EMPLOYEES AND REMUNERATION

As of 30 June 2024, the Group had a total of 831 employees, compared to 716 employees as of 30 June 2023. The increase in the number of employees of the Group was due to the corresponding increase in sales and the need for more production staff in the Group's factories. The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market condition. The Group contributed in respect of our employees in the PRC social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions as required under the PRC laws and regulations.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company have been listed on the Stock Exchange since 13 January 2023. Based on the offer price of HK\$0.68 per Share, the net proceeds (the "**Net Proceeds**") from the global offering, after deducting listing related expenses such as the underwriting fees, commissions and related expenses, amounted to approximately HK\$97.3 million. Nevertheless, the Directors will constantly evaluate the Group's business objectives and may change or modify the plan according to the changing market conditions to ascertain the business growth of the Group.

The intended application of the Net Proceeds as stated in the prospectus of the Company dated 20 December 2022 in connection with the Global Offering (the “**Prospectus**”) and the actual utilisation of the Net Proceeds up to 30 June 2024 is set out below:

Intended application of the Net Proceeds	Percentage of total net proceeds	Unutilised Net	Utilised Net	Unutilised
		Proceeds as at 31 December 2023 <i>HK\$ million</i>	Proceeds amount up to 30 June 2024 <i>HK\$ million</i>	amount as at 30 June 2024 <i>HK\$ million</i>
Building a new factory and acquiring new production lines in the Group’s Guangchang Plant	74.1%	2.0	2.0	–
Enhancing the Group’s marketing efforts and expanding the Group’s sales channels	15.9%	8.3	8.3	–
Working capital and other general corporate purposes	10.0%	5.4	5.4	–
Total	<u>100%</u>	<u>15.7</u>	<u>15.7</u>	<u>–</u>

All the remaining Net Proceeds had been utilised during the Reporting Period and applied in the manner set out in the Prospectus.

EVENT AFTER THE REPORTING PERIOD

Save for disclosed in this announcement, there was no material event which could have material impact to the Group’s operating and financial performance after the Reporting Period and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the “**Shareholder(s)**”) and to enhance corporate value and accountability.

The Company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). During the Reporting Period, save for the deviation from code provision C.2.1 of the CG Code as disclosed in the paragraph headed “Chairman and Chief Executive Officer” below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. Mr. Yang Shengyao (“**Mr. Yang**”) is the chairman of the Board and the chief executive officer of the Company. Considering that Mr. Yang has been operating and managing the Group since its foundation, the Board believes that it is in the best interest of the Group to have Mr. Yang taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors and supervisors’ securities transactions during the Reporting Period.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil). There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference. The audit committee currently comprises three independent non-executive Directors, Mr. Lau Jing Yeung William, Mr. Hu Ruiwo and Mr. Ye Sangzhi. Mr. Lau Jing Yeung William is the chairman of the Audit Committee. The primary duties of the Audit Committee include but not limited to supervising our internal control, risk management, financial information disclosure and financial reporting matters. Their composition and written terms of reference are in line with the CG Code.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2024 and discussed with the management of the Company and is of the view that such financial information has been prepared in compliance with the applicable accounting treatment and standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the Audit Committee of the Company.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement for the six months ended 30 June 2024 is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.zhengwei100.com), and the interim report for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be published on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
Zhengwei Group Holdings Company Limited
Mr. Yang Shengyao
Chairman

Hong Kong, 30 August 2024

As at the date of this announcement, the executive Directors are Mr. Yang Shengyao and Ms. Lin Qiuyun; and the independent non-executive Directors are Mr. Lau Jing Yeung William, Mr. Hu Ruiwo and Mr. Ye Sangzhi.

* *For identification purposes only*