



JIA YAO HOLDINGS LIMITED

嘉耀控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)  
Stock Code : 01626

INTERIM REPORT  
**2024**

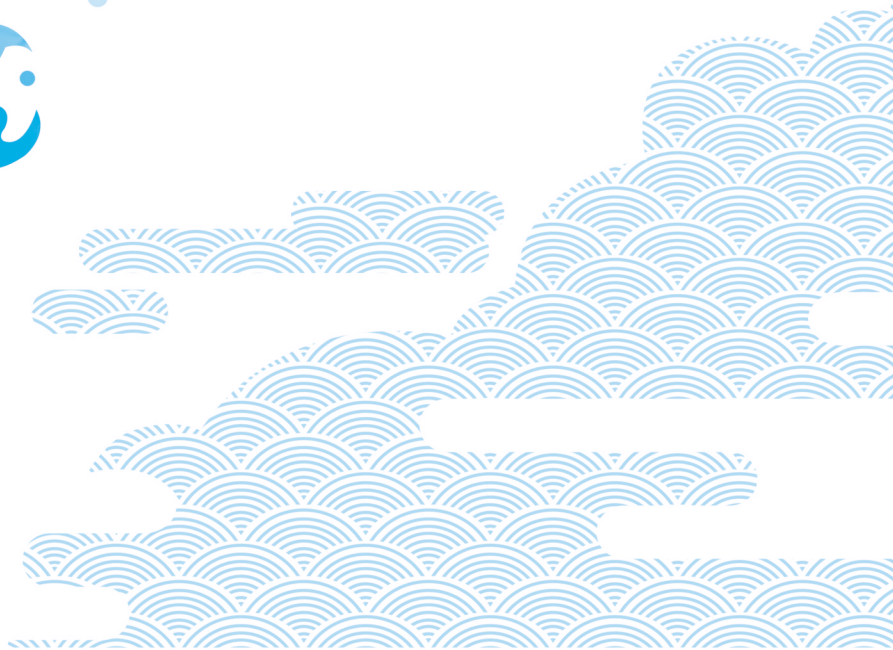




Jia Yao Holdings Limited / Interim Report 2024

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## FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of Jia Yao Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023.

- Revenue for the six months ended 30 June 2024 increased by approximately 41.1% or RMB216.2 million to approximately RMB742.8 million as compared with the corresponding period in 2023.
- Gross profit for the six months ended 30 June 2024 increased by approximately 28.9% or RMB34.5 million to approximately RMB153.6 million as compared with the corresponding period in 2023.
- Gross profit margin for the six months ended 30 June 2024 decreased by approximately 1.9% from approximately 22.6% to approximately 20.7% as compared with the corresponding period in 2023.
- Profit attributable to owners of the Company decreased by approximately 29.8% or RMB6.3 million to approximately RMB14.8 million as compared with the corresponding period in 2023.
- Average trade and note receivables turnover days increased from approximately 68 days for the year ended 31 December 2023 to approximately 84 days for the six months ended 30 June 2024.
- Average trade and note payables turnover days decreased from approximately 202 days for the year ended 31 December 2023 to approximately 180 days for the six months ended 30 June 2024.
- Average inventory turnover days decreased from approximately 74 days for the year ended 31 December 2023 to approximately 65 days for the six months ended 30 June 2024.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

*Notes:*

- (i) Gross profit margin was calculated based on gross profit for the period divided by the revenue for the period.
- (ii) Average trade and note receivables turnover days were calculated as the average of the beginning and ending of trade and note receivables balance of the year end/period end divided by the revenue for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2023 and 182 days for the six months ended 30 June 2024).
- (iii) Average trade and note payables turnover days were calculated as the average of the beginning and ending of trade and note payables balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2023 and 182 days for the six months ended 30 June 2024).
- (iv) Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (365 days for the year ended 31 December 2023 and 182 days for the six months ended 30 June 2024).

### Board of Directors

#### Executive Director

Mr. Yang Yoong An (*Chairman*)

#### Non-executive Directors

Mr. Feng Bin

Mr. Yang Fan

#### Independent Non-executive Directors

Mr. Gong Jinjun

Mr. Wang Ping

Ms. Guo Wei

### Company Secretary

Mr. Wu Hung Wai (*HKICPA*)

### Registered Office

Third Floor, Century Yard, Cricket Square,

P.O Box 902

Grand Cayman, KY1-1103

Cayman Islands

### Headquarter and Principal Place of Business in the PRC

No. 6 Qingdao Road

Dongshan Economic Developing District

Yichang, Hubei

### Principal Place of Business in Hong Kong

Suite 3212, 32nd Floor, Tower One, Times Square

No.1 Matheson Street, Causeway Bay

Hong Kong

### Audit Committee

Mr. Wang Ping (*Chairman*)

Mr. Gong Jinjun

Ms. Guo Wei

### Remuneration Committee

Mr. Gong Jinjun (*Chairman*)

Mr. Yang Fan

Mr. Wang Ping

### Nomination Committee

Mr. Yang Yoong An (*Chairman*)

Mr. Gong Jinjun

Ms. Guo Wei

### Corporate Website

[www.jiayaoholdings.com](http://www.jiayaoholdings.com)

### Authorised Representatives

Mr. Yang Fan

Mr. Wu Hung Wai

### Principal Bankers

China Merchants Bank Yichang Branch

Hubei Bank Corporation Yichang Branch

Bank of China (Hong Kong) Limited

### Principal Share Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited

Third Floor, Century Yard, Cricket Square,

P.O Box 902

Grand Cayman, KY1-1103

Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited

Suites 3301-04, 33/F

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

### Legal Adviser as to Hong Kong Laws

Loong & Yeung

Room 1603, 16th Floor, China Building

29 Queen's Road Central

Central, Hong Kong

### Auditor

PricewaterhouseCoopers

*Certified Public Accountants and Registered PIE Auditor*

22/F., Prince's Building

Central, Hong Kong



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## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim report of the Company for the six months ended 30 June 2024.

China's gross domestic product (GDP) increased 5% year on year during the period under review, driven by stable investment and exports, and accelerated industrial production.

In the electronic cigarettes sector, the global market enjoyed buoyant growth, with a strong focus on innovation, product diversification, technological advancement and market expansion. As one of the world's largest manufacturers and exporters of electronic cigarettes, China is well-positioned to capitalise on these promising growth prospects. Capitalising on the industry's growth, the Group has prioritised well establishing its product line and focusing on developing own branded electronic cigarette products. These efforts contributed to an encouraging growth of 41.1% in overall revenue, reaching approximately RMB742.8 million during the period under review. This strong expansion, coupled with enhanced efficiency and disciplined financial management, has kept the Group's financial position strong with cash and cash equivalents of RMB254.9 million.

The Group boasts a strong international client base in its electronic cigarette segment, spanning markets such as various countries in North America, Europe and Southeast Asia. During the reporting period, the Group further extended its global reach, securing clients in Middle East and South America. In an effort to enhance the operation, the Group has made strides to strengthen its research and development capabilities through the establishment of a science and technology innovation research institute, which serves as the driving force behind a research project focusing on the new-tobacco sector. Furthermore, the Group has continued to forge partnerships with various organisations to establish joint laboratories, aiming to foster technological advances and facilitate electronic cigarette product's research and development. Through these and other initiatives, the Group seeks to position itself as an industry frontrunner and offering a comprehensive range of electronic cigarette products.

To leverage these market opportunities, the Group will stay abreast of emerging tobacco trends, enhance its research and development capabilities to foster innovation, and secure extensive distribution channels. Acknowledging the fast-paced dynamics of the market, the Group will remain vigilant and proactive, aggressively developing new products and pursuing deeper collaborations with prominent corporate partners, solidifying its market-leading position and promoting sustainable growth in the industry.

I would like to take this opportunity to express my most sincere gratitude for the unwavering support of all of the Group's shareholders, investors, business partners and customers. As always, our management team and all staff members remain committed to bolstering our business foundations, and to creating sustainable and substantial returns for all of our shareholders.

**Yang Yoong An**

*Chairman of the Board and Executive Director*

Hong Kong, 16 August 2024

### Market Review

China's gross domestic product (GDP) grew at a stable pace of 5% year on year during the period, marked by steady performance in investment and exports, and accelerated industrial production.

The electronic cigarette sector has witnessed significant expansion on a global scale over the past decade, with a rapid annual growth rate, led by Americas and Europe as primary consumer markets, Chinese manufacturers strive to develop more affordable and better-designed electronic cigarette products.

Global conventional tobacco enterprises lack the technological capabilities for of electronic devices production, thereby manufacturing predominantly occurs in China, where infrastructure is well-developed. Currently, China is recognised as the world's largest manufacturer and exporter of electronic cigarettes. The intensifying competition within the Chinese market, coupled with more rigorous regulatory frameworks, have driven many electronic cigarette enterprises to target overseas markets, which present substantial opportunities. Consequently, China's electronic cigarette exports are poised for rapid growth.

During the period under review, Jia Yao is committed to actively pursuing the operation and advancement of its core businesses, with a particular focus on the electronic cigarette industry. The Group aims to enhance efficiency, implement lean production strategies, and adopt prudent cost-reduction measures while nurturing strong, collaborative relationships with its current clients. These collective endeavours are set to empower the Group to seize favourable business opportunities and maximise its growth potential.

### Business Review

Jia Yao is primarily engaged in the design, production and sales of electronic cigarettes and paper cigarette packages. For the electronic cigarettes segment, the Group increased its investment in production and the development of own branded product in order to grasp the opportunity of rapid growth of electronic cigarette market in recent years. In additions to the production and development of own branded product, the Group also focused to develop the business to the OEM and ODM production of e-cigarette related products with comprehensive e-cigarette supply chain for several international e-cigarette brands. It is foreseeable that the electronic cigarettes segment will become the major revenue and profit growth drivers of the Group in the future. For the paper cigarette packages segment, the Group is providing paper cigarette packaging services for key cigarette brands designated by the STMA.

### Sales and Distribution

Jia Yao's core success over the years has relied on its commitment to technological advances, superb product quality and strong business ties with its customers. Seeking to surpass its competitors in the cigarette industry, the Group offers its customers value-added, distinctive products by deploying cutting-edge technologies to foster dedicated and enduring business partnerships with customers.

The Group's key focus in the electronic cigarette segment is the manufacturing of electronic cigarettes and tobacco related products for export. Its clientele in the segment has comprised customers from markets including major countries in Europe, Americas and Southeast Asia. The Group's international customer base also expanded to countries in Middle East during the reporting period.



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## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

During the reporting period, the Group implemented a strategic approach to enhance its own branded products presence in the electronic cigarette market by further increasing its market share globally but also honing its research and development capabilities. This focused effort has yielded positive results, with the segment generating revenue of RMB412.6 million during the reporting period. This achievement demonstrates the Group's commitment to pursuing growth opportunities and maximising its performance in the industry.

### Product Development and Design

The Group had invested approximately RMB50.1 million (six months ended 30 June 2023: approximately RMB9.6 million) on improvement and development of production facilities and product design in order to consistently driven itself to innovate. Capitalising on its technological expertise and development, including its advanced production lines and state-of-the-art production facilities, the Group has aimed to fully utilise its capacity to manufacture mid-range and high-end products, enabling it to maintain its status as a market leader.

In order to further improve the efficiency of the production lines of electronic cigarette, it is necessary to consider the needs of automated production prior to the product design stage. During the reporting period, the Group reviewed the product development technology, which fully considers the requirements of product manufacturing and importing automation equipment at the stage of product design and improves the manufacturability and automation feasibility of products.

### Technology Development and Quality Control

Advocating the concept of "management innovation, system leadership", the Group has always adhered to a policy of pursuing refinement, specialisation and standardisation to bolster its solid reputation for quality products. During the reporting period, the Group continued to step up efforts in the research and development of core technologies and the improvement of management capability. The Group launched its own branded electronic cigarette to the markets with high safety performance and better user experience, which has been recognized by numerous clients in a fast manner and achieved outstanding sales growth during the reporting period. The Group has also taken a proactive approach to environmental protection. It implements strict environmental protection metrics, controlling inputs of all raw and auxiliary materials, and manufacturing processes to provide customers with high-quality, safe, environment-friendly products.

### Cost Control

The Group has always sought to consolidate its core business and maximise efforts to control costs. In order to improve the cost management of raw materials, which have been a major factor affecting manufacturing industries, the Group adopted a series of measures during the reporting year to reduce those costs.

It introduced strategies including process and materials optimisation, productivity enhancement, and the introduction of new suppliers and competitive negotiations. The Group also strengthened its control of production processes through measures such as rolling stock preparation, consolidating production orders to increase lot sizes, reducing manufacturing costs and preventing inefficiencies brought about by secondary loading due to insufficient deliveries. These strategies achieved remarkable results, yielding an improvement in gross profit margin on the previous year.

\* For identification purpose only

## Financial Review

### Turnover

For the six months ended 30 June 2024, the turnover of the Group was approximately RMB742.8 million, representing an increase of approximately 41.1% over the corresponding period in 2023. Revenue from electronic cigarettes segment and paper cigarette packages and social product paper packages segment accounted for approximately 55.6% and 44.4%, respectively. The increase in sales was primarily attributable to the outstanding contribution to the Group's revenue from the electronic cigarettes segment with rapid growth rate of approximately 50.0% to approximately RMB412.6 million during the six months ended 30 June 2024.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2024:

	For the six months ended 30 June		Change (%) (approximate)
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	
Electronic cigarettes segment	412,623	275,054	+50.0%
Paper cigarette packages and social product paper packages segment	330,142	251,517	+31.3%

### Gross Profit

The Group's gross profit increased by approximately 28.9% from approximately RMB119.1 million for the six months ended 30 June 2023 to approximately RMB153.6 million for the six months ended 30 June 2024. The Group's gross profit margin decreased by approximately 1.9% from approximately 22.6% to approximately 20.7% as compared with the corresponding period in 2023. Although the gross profit margin of the electronic cigarettes segment continued to grow, the paper cigarettes packaging segment recorded a significant decrease of gross profit margin due to drop on unit selling price of sales order, which negatively impacted the group's overall profitability during the six months ended 30 June 2024.

### Distribution Costs

For the six months ended 30 June 2024, distribution costs comprise: (i) delivery expenses for the transportation of the Group's products to customers; (ii) staff costs and benefits relating to the Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during the Group's normal course of business; (iv) travelling expenses of the staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's distribution costs increased by approximately 93.1% from approximately RMB24.9 million for the six months ended 30 June 2023 to approximately RMB48.0 million for the six months ended 30 June 2024. The increase was mainly due to the increase in staff costs and promotion expense on the own developed product of electronic cigarettes during the six months ended 30 June 2024.





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## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Administrative Expenses

For the six months ended 30 June 2024, administrative expenses consist of (i) staff costs and benefits relating to the Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses; (iv) entertainment expenses of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to the Group's administrative operations. The expenses increased by approximately 28.7% from approximately RMB59.3 million for the six months ended 30 June 2023 to approximately RMB76.3 million for the six months ended 30 June 2024. The increase was mainly due to the increase in staff costs and costs on innovation and development of the own branded product of electronic cigarettes during the six months ended 30 June 2024.

### Other Income

For the six months ended 30 June 2024, other income mainly consists of non-recurring government grant and tax incentives from government and it increased by approximately RMB3.1 million to approximately RMB6.7 million for the six months ended 30 June 2024. Increase of other income was mainly due to the tax incentives received by PRC subsidiaries during the six months ended 30 June 2024.

### Other Gains, net

For the six months ended 30 June 2024, net other gains consists of gains on disposal of subsidiaries and raw materials. The Group recorded net other gains of approximately RMB3.3 million for the six months ended 30 June 2024.

### Finance (Costs)/Income, net

For the six months ended 30 June 2024, net finance income was primarily consist of interest income on bank deposits and interest payment on bank and other borrowings. The Group recorded net finance costs of approximately RMB0.3 million for the six months ended 30 June 2024 as compared with the net finance income of approximately RMB2.4 million for the six months ended 30 June 2023.

### Income Tax Expenses

The income tax expenses increased by approximately RMB3.7 million to approximately RMB9.9 million as compared with the corresponding period in 2023. Increase of income tax expenses was mainly due to the withholding income tax incurred during the six months ended 30 June 2024.

### Profit Attributable to Owners of the Company

As a result of the foregoing, the Group's profit attributable to owners of the Company decreased by approximately 29.8% or RMB6.3 million to approximately RMB14.8 million as compared with the corresponding period in 2023.

### Trade and Other Receivables

Trade and other receivables decreased by approximately 6.6% from approximately RMB527.5 million as at 31 December 2023 to approximately RMB492.8 million as at 30 June 2024. The decrease was mainly due to the decrease of trade receivables from approximately RMB341.6 million as at 31 December 2023 to approximately RMB257.8 million as at 30 June 2024.

### Trade and Other Payables

Trade and other payables decreased by approximately 13.9% from approximately RMB785.0 million as at 31 December 2023 to approximately RMB675.5 million as at 30 June 2024. The decrease was mainly due to the decrease of trade payables from approximately RMB425.7 million as at 31 December 2023 to approximately RMB320.0 million as at 30 June 2024.

## Liquidity And Financial Resources

The Group recorded net current assets of approximately RMB255.8 million as at 30 June 2024, compared with net current assets of approximately RMB314.4 million as at 31 December 2023. The Group maintained a healthy liquidity position during the six months ended 30 June 2024. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the period under review.

As at 30 June 2024, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB254.9 million, compared with approximately RMB311.2 million as at 31 December 2023.

## Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were RMB114.8 million as at 30 June 2024 (as at 31 December 2023: approximately RMB61.5 million). The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 30 June 2024 and 31 December 2023. The Group's interest-bearing borrowings was repayable within one year. This ratio is calculated as net debt divided by total capital. The gearing ratios are as follows:

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Total borrowings	<b>114,800</b>	61,500
Less: cash and cash equivalents	<b>(254,927)</b>	(311,156)
Net cash	<b>(140,127)</b>	(249,656)
Total equity	<b>(528,511)</b>	(540,023)
Total capital	<b>N/A</b>	N/A
Gearing ratio (%)	<b>N/A</b>	N/A

It is the policy of the Group to adopt a consistently prudent financial management strategy, hence sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

## Capital Expenditure

During the six months ended 30 June 2024, the Group's total capital expenditure amounted to approximately RMB50.1 million (for the six months ended 30 June 2023: RMB9.6 million), which was mainly used in purchase of plant and machineries.

## Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Pledge of Assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Land use rights	10,554	11,027
Property, plant and equipment	52,110	54,850
Trade receivables	38,698	–
Restricted cash	168,259	143,068
	<b>269,621</b>	208,945

### Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2024.

### Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities (as at 31 December 2023: nil).

### Foreign Exchange Risks

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables are denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, trade receivables, contract liabilities and other payables maintained in Hong Kong Dollars and United States Dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the six months ended 30 June 2024.

### Human Resources And Remuneration

As at 30 June 2024, the Group employed 1,432 employees (as compared with 1,656 employees as at 31 December 2023) with total staff cost of approximately RMB116.6 million incurred for the six months ended 30 June 2024 (as compared with approximately RMB103.8 million for the same period of 2023). The Group's remuneration packages are generally structured with reference to market terms and individual performance. The Company adopted a share option scheme as incentive to its Directors and eligible employees. In relation to staff training, the Group also provides different types of programs for staff to improve their skills, develop their respective expertise and showcase their potentials.

### Interim Dividend

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

### Events after the Reporting Period

On 6 September 2024, the Company, Master Bliss Holdings Limited (the “Purchaser”) and Mr. Zhu Chunlin (朱春林) (the “Guarantor”) entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase, 14,000 shares of Giant Harmony Limited (the “Target Company”), representing 70% of the issued share capital of the Target Company at the consideration of RMB115,000,000 (or equivalent amount in HK\$). Upon completion, the Company will cease to have any equity interest in the Target Company and, accordingly, the Target Company will cease to be a subsidiary of the Company and its financial results and assets and liabilities will no longer be consolidated into the consolidated financial statements of the Group. For details, please refer to the announcement of the Company dated 6 September 2024.

### Future Outlook

The International Monetary Fund (IMF) forecasts that global growth will remain steady and resilient, with a projected expansion of around 3.2% in 2024 and 3.3% in 2025. China’s economy is expected to expand by 5% in 2024, marking an increase of 0.4% from the previous forecast in April 2024. Asia’s emerging economies, with China at the forefront, remain the primary drivers of the global economy.

The global electronic cigarette market is undergoing consistent expansion. However, the intensification of regulatory measures is expected to cause fluctuation in growth. This dynamic will likely persist until products comply with the requisite standards for market entry. Electronic cigarettes featuring displays and eco-friendly, biodegradable packaging are poised to become a new trend and gain popularity in international markets, especially in Europe and the Americas.

The Group is dedicated to expanding its electronic cigarette market share by enhancing its core competitiveness to become a one-stop company with own branded electronic cigarette products. Additionally, the Group is seeking to boost the contribution of the tobacco related business to its overall performance by prioritising the development of business in the related area.

The future development of the Group’s electronic cigarette business is focused mainly on overseas markets, where both demand and competition are expected to increase. To capitalise on the potential of these markets, the Group will remain abreast of emerging tobacco trends, bolstering its research and development capabilities to promote innovation and expanding distribution channels globally. In recognition of the rapidly evolving market landscape, the Group will continue to aggressively develop new products and collaborate with high-profile corporate partners to solidify its market-leading position and promote the sustainable growth.

Supported by robust finances and strong business fundamentals, Jia Yao will continue to develop its core businesses. The Group expects to place an increased emphasis on the electronic cigarette sector and is dedicated to refining its product development capabilities, broadening its product assortment, and enhancing its presence in new markets, maximising its returns to shareholders.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of the Associated Corporations

As at 30 June 2024, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, notified to the Company and the Stock Exchange were as follows:

#### (i) Long positions in the shares of the Company (the "Shares")

Name	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding (Note 3)
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation (Note 1)	418,724,000	69.79%
Mr. Li Shaoan	Beneficial Owner (Note 2)	3,600,000	0.6%
Mr. Wu Hung Wai	Beneficial Owner (Note 3)	100,000	0.02%

#### (ii) Long positions in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding
Mr. Yang	Spearhead Leader Limited ("Spearhead Leader")	Beneficial owner	1	100%

Notes:

1. Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 418,724,000 shares of the Company held by Spearhead Leader for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader.
2. These 3,600,000 underlying Shares represent the 3,600,000 Shares which may be allotted and issued to Mr. Li Shaoan upon full exercise of the share options granted to him.
3. These 100,000 underlying Shares represent the 100,000 Shares which may be allotted and issued to Mr. Wu Hung Wai upon full exercise of the share options granted to him.
4. Calculated on the basis of 600,000,000 Shares in issue as at 30 June 2024.

## Interests of Substantial Shareholders in Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 30 June 2024, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

### Long positions in the shares of the Company

Name of shareholders	Capacity/Nature of interest	No. of ordinary shares held/interested	Approximate percentage of shareholding (Note 3)
Spearhead Leader	Beneficial owner	418,724,000	69.79%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse (Note 1)	418,724,000	69.79%

#### Notes:

- Ms. Cai is the spouse of Mr. Yang. Accordingly, Ms. Cai is deemed, or taken to be, interested in all Shares and underlying Shares in which Mr. Yang is interested in for the purpose of the SFO.
- Calculated on the basis of 600,000,000 Shares in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a shareholders' resolution passed on 6 June 2014. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or services providers of the Group and to promote the success of the business of the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30,000,000 shares, being 10% of the shares of the Company in issue as at the date of this interim report, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's issued share capital in aggregate or with an aggregate value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

The subscription price of share in respect of options granted under the Share Option Scheme shall be solely determined by the Board, but may not be less than the higher of (i) the Stock Exchange's closing price of the Company's shares on the date of the grant of the share options which must be a business day; (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share of the Company.

The Share Option Scheme will remain in force for a period of ten years commencing on the adoption date (i.e. 6 June 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HKD1. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix V to the prospectus of the Company dated 17 June 2014.

On 7 December 2022, the Company granted a total of 30,000,000 share options to a total of 21 selected employees of the Group to subscribe for a total of 30,000,000 ordinary shares of HK\$0.01 each in accordance with the share option scheme adopted on 6 June 2014. For details, please refer to the announcement of the Company dated 7 December 2022.

As at 1 January 2024 and 30 June 2024, there were no share options available for grant under the Share Option Scheme. No service provider sublimit was set under the Share Option Scheme. The total number of shares that may be issued in respect of options granted under all schemes of the Company during the reporting period divided by the weighted average number of shares of the relevant class in issue for the reporting period was 5%.

The following table discloses the movements in the Company's share options during the six months ended 30 June 2024:

Grantees	As at 1 January 2024	Granted	Exercised	Lapsed/cancelled	Outstanding as at 30 June 2024	Date of grant	Exercisable period	Exercise price
		during the six months ended 30 June 2024	during the six months ended 30 June 2024	during the six months ended 30 June 2024				
Mr. Li Shaoran (李少安)	3,600,000	-	-	-	3,600,000	7 December 2022	From the Vesting Date to 6 December 2032	HK\$1.00
Mr. Wu Hung Wai (吳鴻偉)	100,000	-	-	-	100,000	7 December 2022	From the Vesting Date to 6 December 2032	HK\$1.00
Other employees	26,300,000	-	-	-	26,300,000	7 December 2022	From the Vesting Date to 6 December 2032	HK\$1.00
Total	30,000,000	-	-	-	30,000,000			

*Notes:*

1. In the event that the Group's audited revenue and net profit for the year ending 31 December 2025 can achieve one time or more of the Group's audited revenue and net profit for the year ended 31 December 2022 respectively, the options shall be vested to the Grantees after publication of the audited financial results of the Company for the year ending 31 December 2025 (the "Vesting Date"), subject to the Grantee has not committed any material breach of his/her duties prior to the Vesting Date and the Grantee remains an employee of the Group on the Vesting Date. If the vesting conditions as specified above are not fulfilled by the Vesting Date, the Company reserves the right to cancel the options granted to the Grantees.
2. As for the share option granted on 7 December 2022, the closing price of the shares on the Stock Exchange immediately before the date on which the options were granted was HK\$0.90.

### Competing Business and Conflicts of Interests

None of the Directors is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2024.

### Corporate Governance

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the Corporate Governance Code contained in Appendix C1 the Listing Rules (the "Corporate Governance Code") as its own code on corporate governance and had complied with the Corporate Governance Code for the six months ended 30 June 2024.

### Model Code for Securities Transactions by Directors of Listed Issuers

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

### Audit Committee and Review of Interim Results

The Company has established an audit committee (the "Audit Committee") with terms of reference aligned with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules for the primary duties of reviewing and providing supervision on the financial reporting process, internal controls and risk management systems of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Ms. Guo Wei and Mr. Gong Jinjun.

The interim financial results of the Group for the six months ended 30 June 2024 have not been reviewed by the Company's auditor, but have been reviewed by the Company's audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The Audit Committee has also reviewed this report.

### Changes of Information of Directors

There is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2023 of the Company and up to the date of this report.



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Six Months ended 30 June	
		2024 Unaudited RMB'000	2023 Unaudited RMB'000
Revenue	5	742,765	526,571
Cost of sales	8	(589,157)	(407,434)
<b>Gross profit</b>		<b>153,608</b>	119,137
Distribution costs	8	(48,008)	(24,862)
Administrative expenses	8	(76,337)	(59,293)
Net impairment losses on financial assets		(1,880)	(3,509)
Other income	6	6,703	3,595
Other gains — net		3,349	213
<b>Operating profit</b>		<b>37,435</b>	35,281
Finance income	7	2,293	3,722
Finance costs	7	(2,615)	(1,338)
Finance (costs)/income — net	7	(322)	2,384
<b>Profit before income tax</b>		<b>37,113</b>	37,665
Income tax expenses	10	(9,866)	(6,166)
<b>Profit for the period</b>		<b>27,247</b>	31,499
<b>Profit attributable to:</b>			
— Owners of the Company		14,808	21,094
— Non-controlling interests		12,439	10,405
<b>Other comprehensive income</b>			
Currency translation differences		11	122
<b>Total comprehensive income for the period</b>		<b>27,258</b>	31,621
<b>Total comprehensive income for the period attributable to:</b>			
— Owners of the Company		14,819	21,216
— Non-controlling interests		12,439	10,405
		<b>27,258</b>	31,621
<b>Earnings per share attributable to owners of the Company</b>			
— Earnings per share	11	0.025	0.035
— Diluted earnings per share	11	0.024	0.034

The notes on pages 21 to 38 are an integral part of these condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

	Note	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	193,200	156,960
Right-of-use assets	13	111,003	78,269
Intangible assets	15	3,736	3,939
Deferred income tax assets		2,328	2,483
Other receivables		6,407	3,045
Prepayment for property, plant and equipment	14	2,400	2,817
		<b>319,074</b>	247,513
<b>Current assets</b>			
Inventories	17	184,829	239,040
Trade and other receivables	16	486,363	524,463
Prepaid taxes		4,332	–
Financial assets at fair value through profit or loss		11,000	–
Restricted cash	18	168,259	143,068
Cash and cash equivalents	18	254,927	311,156
		<b>1,109,710</b>	1,217,727
<b>Total assets</b>		<b>1,428,784</b>	1,465,240
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		5,120	5,120
Share premium		152,684	152,684
Other reserves		164,164	162,549
Retained earnings		97,412	82,604
		<b>419,380</b>	402,957
Non-controlling interests		109,131	137,066
<b>Total equity</b>		<b>528,511</b>	540,023

# CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2024

	<i>Note</i>	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		45,365	20,178
Deferred income tax liabilities		1,044	1,684
		<b>46,409</b>	21,862
<b>Current liabilities</b>			
Trade and other payables	21	675,538	785,014
Contract liabilities		22,229	22,676
Income tax payable		21,720	23,066
Borrowings	19	114,800	61,500
Lease liabilities		19,577	11,099
		<b>853,864</b>	903,355
<b>Total liabilities</b>		<b>900,273</b>	925,217
<b>Total equity and liabilities</b>		<b>1,428,784</b>	1,465,240

The notes on pages 21 to 38 are an integral part of these condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Unaudited						
	Attributable to the owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained profits/ (accumulated losses) RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Six months ended 30 June 2024</b>							
<b>Balance at 1 January 2024</b>	5,120	152,684	162,549	82,604	402,957	137,066	540,023
Profit for the period	-	-	-	14,808	14,808	12,439	27,247
Other comprehensive income	-	-	11	-	11	-	11
Total comprehensive income	-	-	11	14,808	14,819	12,439	27,258
Cash dividends	-	-	-	-	-	(40,175)	(40,175)
Employee share schemes (Note 20)	-	-	1,604	-	1,604	-	1,604
Disposal of subsidiaries with lost of control (Note 23)	-	-	-	-	-	(199)	(199)
<b>Balance at 30 June 2024</b>	<b>5,120</b>	<b>152,684</b>	<b>164,164</b>	<b>97,412</b>	<b>419,380</b>	<b>109,131</b>	<b>528,511</b>
<b>Six months ended 30 June 2023</b>							
<b>Balance at 1 January 2023</b>	5,120	183,318	145,721	(6,386)	327,773	54,639	382,412
Profit for the period	-	-	-	21,094	21,094	10,405	31,499
Other comprehensive income	-	-	122	-	122	-	122
Total comprehensive income	-	-	122	21,094	21,216	10,405	31,621
Employee share schemes (Note 20)	-	-	1,562	-	1,562	-	1,562
Acquisition of subsidiaries	-	-	-	-	-	7,770	7,770
Dividend to shareholders of the Company (Note 12)	-	(30,634)	-	-	(30,634)	-	(30,634)
<b>Balance at 30 June 2023</b>	<b>5,120</b>	<b>152,684</b>	<b>147,405</b>	<b>14,708</b>	<b>319,917</b>	<b>72,814</b>	<b>392,731</b>

The notes on pages 21 to 38 are an integral part of these condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Note	Six Months ended 30 June	
		2024 Unaudited RMB'000	2023 Unaudited RMB'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(42,388)	(53,677)
Interest received		3,073	2,517
Interest paid		(2,447)	(1,221)
Income tax paid		(11,698)	(8,531)
Net cash used in operating activities		(53,460)	(60,912)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and other assets		(47,671)	(1,300)
Prepayments of property, plant and equipment		(2,400)	(8,337)
Proceeds from disposal of property, plant and equipment		1,346	40
Net cash paid from acquisition of subsidiaries		-	(205)
Net cash outflow from disposal of subsidiaries, net of cash disposed of		(2,041)	-
Proceeds of government grant related to land use rights and property, plant and equipment		5,000	-
Net cash outflow from financial assets at fair value through profit or loss		(11,000)	-
Interest received on financial assets at fair value through profit or loss		118	-
Repayments of deposit related to potential acquisition of subsidiaries		58,560	-
Payments for deposit related to potential acquisition of subsidiaries		(35,610)	(35,500)
Net cash used in investing activities		(33,698)	(45,302)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		78,000	65,000
Repayments of borrowings		(24,700)	(56,000)
Payments of lease liabilities		(8,859)	(1,352)
Dividends paid to non-controlling interests in subsidiaries		(15,750)	-
Net cash generated from financing activities		28,691	7,648
<b>Net decrease in cash and cash equivalents</b>			
Effect of foreign exchange rate changes		2,238	592
Cash and cash equivalents at beginning of the period		311,156	266,575
<b>Cash and cash equivalents at end of the period</b>	18	<b>254,927</b>	168,601

The notes on pages 21 to 38 are an integral part of these condensed consolidated interim financial information.



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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2024

## 1 General information

Jia Yao Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013.

The Company and its subsidiaries (together, the “Group”) are engaged in the design, production and sales of paper cigarette packages, social product paper packages, electronic cigarettes, and other electronic products in the People’s Republic of China (the “PRC”).

The Company’s registered office is located at Third Floor, Century Yard, Cricket Square, P.O Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company’s ordinary shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), rounded to the nearest thousand, unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the Company’s board of directors (the “Board”) on 16 August 2024.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation and accounting policies

This interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those in the preparation of the Group’s financial statements for the year ended 31 December 2023, except for adoption of new and amended standards as set out below:

**(a) The following new and amended standards are mandatory for adoption for the financial year beginning 1 January 2024 for the Group:**

HKAS 1	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current liabilities with covenants
HKFRS 16 (Amendments)	Lease liability in a Sale and Leaseback
HKAS 7 (Amendments) and HKFRS 7	Supplier finance arrangements
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The standards and amendments did not have a material impact or are not relevant to the Group.



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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 2 Basis of preparation and accounting policies (Continued)

### (b) New and amended standards and interpretation not yet adopted by the Group

Certain amendments to existing standards and interpretation have been issued and are not effective for financial year beginning 1 January 2024 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

**Effective for  
accounting periods  
beginning on or after**

HKAS 21 (Amendments)

Lack of Exchangeability

1 January 2025

## 3 Critical accounting estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

## 4 Financial risk management and financial instruments

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

There have been no changes in the risk management policies since year end.

### 4.2 Liquidity risk

Compared to 2023 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 5 Segment information

### (a) Description of segments and principal activities

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operation decision maker, for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

Electronic cigarettes	—	technology research and development, production and sales of e-cigarettes, e-cigarettes vaping devices and other electronic products
Paper cigarette packages and other paper packages	—	paper cigarette packages: design, printing and sales of paper cigarette packages; other paper packages: design, printing and sales of social product paper packages (e.g. packages for alcohol, medicines and food)

### (b) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the condensed consolidated statement of comprehensive income.

The segment results for the six months ended 30 June 2024:

	Six Months ended 30 June 2024		
	Electronic cigarettes Unaudited RMB'000	Paper cigarette packages and other paper packages Unaudited RMB'000	Total Unaudited RMB'000
Revenue	412,623	330,142	742,765
Gross profit	118,679	34,929	153,608
Distribution costs	(31,668)	(16,340)	(48,008)
Segment results	87,011	18,589	105,600
Administrative expenses			(76,337)
Net impairment losses on financial assets			(1,880)
Other income			6,703
Other gains			3,349
Finance costs — net			(322)
Profit before income tax			37,113



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 5 Segment information (Continued)

### (b) Segment revenue (Continued)

The segment results for the six months ended 30 June 2023:

	Six Months ended 30 June 2023		
	Electronic cigarettes Unaudited RMB'000	Paper cigarette packages and other paper packages Unaudited RMB'000	Total Unaudited RMB'000
Revenue	275,054	251,517	526,571
Gross profit	76,722	42,415	119,137
Distribution costs	(12,536)	(12,326)	(24,862)
Segment results	64,186	30,089	94,275
Administrative expenses			(59,293)
Net impairment losses on financial assets			(3,509)
Other income			3,595
Other gains			213
Finance income — net			2,384
Profit before income tax			37,665

### (c) Segment assets by location

The total of non-current assets other than deferred income tax assets, a breakdown by location of the assets, is shown as follows:

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Mainland China	316,701	243,907
Hong Kong	45	1,123
	316,746	245,030

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 6 Other income

	Six Months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Government grants	4,677	3,595
Tax incentives	2,024	–
Others	2	–
	<b>6,703</b>	3,595

## 7 Finance (costs)/income — net

	Six Months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest income on bank deposits	2,293	3,722
Interest on bank and other borrowings	(2,615)	(1,338)
	<b>(322)</b>	2,384

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 8 Expenses by nature

	Six Months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Operating profit for the period has been arrived at after charging:		
Raw materials and consumables used	517,290	332,734
Changes in inventories of finished goods and work in progress	(27)	(1,069)
Employee benefits expenses (Note 9)	116,560	103,833
Transportation cost	17,432	12,494
Social promotion expense	16,539	9,584
Energy and water expense	10,300	8,484
Depreciation (Note 13)	12,416	8,367
Amortisation	9,894	2,819
Real estate tax, stamp duties and other taxes	4,264	3,327
Professional service expense	3,336	1,257
Office expense	2,794	1,890
Operating lease rentals in respect of rented premises	1,845	1,040
Provision of inventories	(55)	2,392
Other operating expenses	914	4,437
Total cost of sales, distribution costs and administrative expenses	713,502	491,589

## 9 Employee benefit expense

	Six Months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Wages and salaries	105,304	95,601
Welfare, medical and other expenses	9,652	6,670
Share-based payment expense	1,604	1,562
Total employee benefit expense	116,560	103,833

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 10 Income tax expenses

	Six Months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Current income tax		
– PRC corporate income tax <i>(i)</i>	(6,717)	(6,636)
– Withholding income tax <i>(ii)</i>	(6,629)	–
– Hong Kong profits tax	–	–
Deferred income tax		
– Deferred tax assets	3,479	470
Income tax expenses	(9,866)	(6,166)

### (i) PRC corporate income tax (“CIT”)

The Company is not subject to any taxation in the Cayman Islands.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2023: 16.5%). Hong Kong profits tax has not been provided as these subsidiaries did not have estimated assessable profit for the period (2023: none).

Hubei Golden Three Gorges Printing Industry Co., Ltd.\* (“Hubei Golden Three Gorges”) has been qualified as a High New Tech Enterprises according to the Corporate Income Tax Law of the PRC and subject to a reduced corporate income tax (“CIT”) rate of 15% in 2024 (2023: 15%).

Shenzhen Haohan Yangtian Technology Co., Ltd. has been qualified as a High New Tech Enterprises according to the Corporate Income Tax Law of the PRC and subject to a reduced corporate income tax (“CIT”) rate of 15% in 2024 (2023: 25%).

The remaining subsidiaries established in the PRC are subject to the PRC CIT rate of 25% (2023: 25%).

### (ii) PRC withholding income tax

PRC withholding income tax of 10% shall be levied on the dividends declared by companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies since they had fulfilled the aforesaid conditions.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 11 Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six Months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Profit attributable to the owners of the Company (RMB'000)	14,808	21,094
Number of ordinary shares as at 1 January ('000)	600,000	600,000
Effect of the rights issue	-	-
Weighted average number of ordinary shares in issue ('000)	600,000	600,000
Basic earnings per share (RMB)	0.025	0.035

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 11 Earnings per share (Continued)

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six Months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Profit attributable to the owners of the Company (RMB'000)	14,808	21,094
Weighted average number of ordinary shares ('000)	600,000	600,000
Adjustment for share options (i)	21,558	19,429
Weighted average number of ordinary shares for diluted earnings per share ('000)	621,558	619,429
Diluted earnings per share (RMB)	0.024	0.034

(i) The share options granted and remained unexercised are included in the calculation of diluted earnings per share because they are antidilutive for the six months ended 30 June 2024.

## 12 Dividend

	Six Months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Dividends provided for or paid	-	30,634

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 13 Property, plant and equipment, right-of-use assets and investment properties

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000
<b>Six months ended 30 June 2024 (unaudited)</b>			
<b>Opening net book amount</b>	<b>156,960</b>	<b>78,269</b>	-
Additions	49,860	43,151	-
Disposals	(632)	(523)	-
Disposals of subsidiaries	(572)	-	-
Depreciation and amortisation	(12,416)	(9,894)	-
<b>Closing net book amount</b>	<b>193,200</b>	<b>111,003</b>	-
<b>Six months ended 30 June 2023 (unaudited)</b>			
<b>Opening net book amount</b>	134,713	55,079	7,929
Additions	10,020	21,553	-
Acquisition of subsidiaries	2,660	3,329	-
Disposals	(131)	-	(2)
Depreciation and amortisation	(8,367)	(2,575)	(246)
<b>Closing net book amount</b>	<b>138,895</b>	<b>77,386</b>	<b>7,681</b>

## 14 Prepayment for property, plant and equipment

Prepayment for property, plant and equipment represents the prepayments for production equipment.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 15 Intangible assets

	Patent RMB'000	Goodwill RMB'000	Total RMB'000
<b>Six months ended 30 June 2024 (unaudited)</b>			
<b>Opening net book amount</b>	<b>3,842</b>	<b>97</b>	<b>3,939</b>
Acquisition of subsidiaries	-	-	-
Amortisation	(203)	-	(203)
<b>Closing net book amount</b>	<b>3,639</b>	<b>97</b>	<b>3,736</b>
<b>Six months ended 30 June 2023 (unaudited)</b>			
<b>Opening net book amount</b>	4,367	-	4,367
Acquisition of subsidiaries	3	350	353
Amortisation	(244)	-	(244)
<b>Closing net book amount</b>	<b>4,126</b>	<b>350</b>	<b>4,476</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 16 Trade and other receivables

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
Trade receivables	<b>268,646</b>	351,617
Less: loss allowance for trade receivables	<b>(10,884)</b>	(10,000)
	<b>257,762</b>	341,617
Note receivable	<b>46,520</b>	21,988
Deposits	<b>94,839</b>	73,379
Advance to employees	<b>8,741</b>	3,342
Other receivables due from non-controlling interests	<b>24,273</b>	26,127
Other receivables due from disposal of subsidiaries	<b>9,599</b>	17,599
Other receivables related to Value-Added Tax	<b>4,357</b>	13,563
Interests receivable	<b>5,105</b>	6,286
Others	<b>759</b>	1,787
Less: loss allowance for other receivables	<b>(4,596)</b>	(3,629)
	<b>143,076</b>	138,454
Prepayments	<b>39,005</b>	22,404
Total current portion	<b>486,363</b>	524,463
Add: non-current portion of other receivables	<b>6,407</b>	3,045
Total	<b>492,770</b>	527,508

The Group's credit sales to customers are mainly entered into on credit terms of not more than 90 days.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

For the six months ended 30 June 2024

## 16 Trade and other receivables *(Continued)*

The ageing analysis of the trade receivables based on invoice date is as follows:

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
0 to 90 days	192,729	336,377
91 to 180 days	52,368	10,157
181 to 360 days	16,908	4,679
Over 360 days	6,641	404
	<b>268,646</b>	351,617

## 17 Inventories

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
Raw materials and packaging materials	58,546	85,368
Finished goods	102,566	127,638
Work in progress	23,717	26,034
	<b>184,829</b>	239,040

## 18 Cash and cash equivalents and restricted cash

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
Cash at bank and on hand	423,186	454,224
Less: restricted cash	(168,259)	(143,068)
Cash and cash equivalents	<b>254,927</b>	311,156

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 19 Borrowings

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
Short-term bank borrowings secured	<b>114,800</b>	61,500

The effective interest rates on the Group's borrowings are as follows:

	<b>As at 30 June 2024 Unaudited</b>	As at 31 December 2023 Audited
Fixed-rate borrowings	<b>3.60%</b>	4.97%

## 20 Employee share option scheme

On 7 December 2023, the Company has conditionally offered to grant options to subscribe for a total of 30,000,000 ordinary shares to a total of 21 selected employees of the Group, subject to acceptance of the Grantees and the payment of HKD1.00 by the Grantees upon acceptance of the Options, under the share option scheme of the Company adopted on 6 June 2014.

Each option shall entitle the holder of the option to subscribe for one share upon exercise of such option at an exercise price of HKD1.00 per Share. Subject to the vesting conditions include revenue and profit target, the options shall be vested to the grantees after publication of the audited financial results of the Company for the year ending 31 December 2025. The validity period of the options is ten years from the date of grant, i.e. from 7 December 2023 to 6 December 2032.

Set out below are summaries of options granted under the scheme:

	<b>2024 Average exercise price per share option</b>	<b>Number of options</b>
As at 1 January 2024	<b>HKD1.00</b>	<b>30,000,000</b>
Granted during the period	–	–
Forfeited during the period	<b>HKD1.00</b>	<b>(500,000)</b>
Vested and exercisable at 30 June 2024	<b>HKD1.00</b>	<b>29,500,000</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 20 Employee share option scheme (Continued)

No options expired during the period covered by the above tables.

The fair value of options granted on 7 December 2022 determined using the Binomial option-pricing model was approximately RMB13,600,000.

The total expenses recognised in the consolidated statement of comprehensive income for share options granted to employees is RMB1,604,000 for the six months ended 30 June 2024.

## 21 Trade and other payables

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
Trade payables — due to third parties	320,001	425,748
Notes payables	203,154	216,344
Dividends payables	27,424	3,000
Salary payables	19,743	26,439
Other tax payables	2,521	16,244
Other payables relating to government grants	79,580	74,580
Others	23,115	22,659
<b>Total trade and other payables</b>	<b>675,538</b>	785,014

As at 30 June 2024, the carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The ageing analysis of trade payables based on invoice date is as follows:

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
Up to 6 months	314,643	424,445
6 months to 1 year	4,247	927
1 year to 2 years	1,111	376
	<b>320,001</b>	425,748

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 22 Assets pledged as security

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	<b>As at 30 June 2024 Unaudited RMB'000</b>	As at 31 December 2023 Audited RMB'000
Property, plant and equipment	52,110	54,850
Land use rights	10,554	11,027
Restricted cash	168,259	143,068
Trade receivables	38,698	-
	<b>269,621</b>	208,945

As at 30 June 2024, restricted cash, trade receivables, property, plant and equipment, and land use rights have been pledged as security for bank borrowings of the Group amounting to RMB114,800,000 (31 December 2023: RMB61,500,000) (Note 19) and for notes payable of the Group amounting to RMB203,154,000 (31 December 2023: RMB216,344,000) (Note 21), respectively.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 23 Disposal of subsidiaries

During the six months ended 30 June 2024, the Group disposed 2 subsidiaries engaging in sales of e-cigarette products. The details of the consideration and the net assets disposed are as follows:

	<b>As at disposal date</b>
	RMB'000
<hr/>	
<b>Disposal consideration</b>	
– Cash to be received	–
– Cash received	–
– Other consideration	–
	<hr/>
	–
	<hr/>
Cash and cash equivalents	2,041
Trade and other receivables	1,055
Goodwill	(6)
Inventories	5,957
Other current assets/liabilities	520
Property, plant and equipment	563
Trade and other payables	(11,428)
Total net assets	(1,507)
Less: non-controlling interests	199
	<hr/>
<b>Net assets disposed</b>	(1,308)
	<hr/>
<b>Gains on disposal</b>	1,308
	<hr/>
<b>Cash proceeds</b>	
– Cash and Cash equivalents of the subsidiaries disposed of	(2,041)
Net cash outflow on disposal	(2,041)
	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

For the six months ended 30 June 2024

## 24 Related-party transactions

As at 30 June 2024, the Company's immediate holding company is Spearhead Leader Limited, which held 69.79% shares of the Company in issue and is wholly owned by Mr. Yang Yoong An.

### (a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

#### (i) Key management compensation

	Six Months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Key management compensation	636	769

#### (ii) Balance due to the immediate holding company

	As at	As at
	30 June 2024	31 December 2023
	Unaudited	Audited
	RMB'000	RMB'000
Spearhead Leader Limited	2,692	2,897

Balance with related parties was unsecured, interest free and repayable in accordance with agreed terms with related parties.

## 25 Subsequent events

On 6 September 2024, the Company, Master Bliss Holdings Limited (the "Purchaser") and Mr. Zhu Chunlin (the "Guarantor") entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase, 14,000 shares of Giant Harmony Limited (the "Target Company"), representing 70% of the issued share capital of the Target Company at the consideration of RMB115,000,000 (or equivalent amount in HK\$). Upon completion, the Company will cease to have any equity interest in the Target Company and, accordingly, the Target Company will cease to be a subsidiary of the Company and its financial results and assets and liabilities will no longer be consolidated into the consolidated financial statements of the Group.