



**Labixiaoxin Snacks Group Limited**  
**蠟筆小新休閒食品集團有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code: 1262



**INTERIM**  
**REPORT 2024**

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# CORPORATE INFORMATION

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Industrial Area  
Jinjiang, Fujian  
PRC

## PLACE OF BUSINESS IN HONG KONG

Unit 2108, 21/F  
Island Place Tower  
510 King's Road  
North Point, Hong Kong

## PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited  
Stock code: 1262

## COMPANY WEBSITE

<http://www.lbxgroup.com>

*(information contained in this website does not form part of this interim report)*

## BOARD OF DIRECTORS

### Executive Directors

Zheng Yu Huan (*Chairman*)  
Zheng Yu Shuang (*Chief Executive Officer*)  
Zheng Yu Long

### Non-Executive Director

Li Hung Kong (*Vice-Chairman*)

### Independent Non-Executive Directors

Li Biao  
Guo Li  
Chung Yau Tong

## COMPANY SECRETARY

Chan Yee Lok

## AUTHORIZED REPRESENTATIVES

Zheng Yu Shuang  
Chan Yee Lok

## AUDIT COMMITTEE

Chung Yau Tong (*Chairman*)  
Li Biao  
Guo Li

## REMUNERATION COMMITTEE

Guo Li (*Chairman*)  
Zheng Yu Long  
Chung Yau Tong

## CORPORATE INFORMATION *(Continued)*

### **NOMINATION COMMITTEE**

Li Biao (*Chairman*)

Zheng Yu Shuang

Chung Yau Tong

### **AUDITORS**

HLB Hodgson Impey Cheng Limited

31st Floor, Gloucester Tower

The Landmark, 11 Pedder Street

Central, Hong Kong

### **LEGAL ADVISOR**

Sidley Austin

Level 39

Two International Finance Centre

8 Finance Street

Central, Hong Kong

### **PRINCIPAL SHARE REGISTRAR**

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### **HONG KONG SHARE REGISTRAR**

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

### **PRINCIPAL BANKERS**

Construction Bank of China, Jinjiang Branch

Construction Bank Building

Zeng Jin Area, Qing Yang

Jinjiang, Fujian

PRC

Ping An Bank Co., Ltd., Quanzhou Branch

1/F, Jun Yi Building, 311 Fengze Street

Quanzhou, Fujian

PRC

China CITIC Bank, Quanzhou Branch

1-2/F, Renmin Yinhang Building

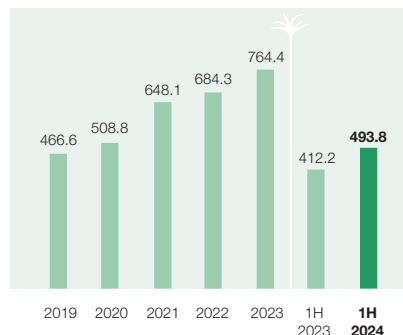
Quanzhou, Fujian

PRC

# FINANCIAL HIGHLIGHTS

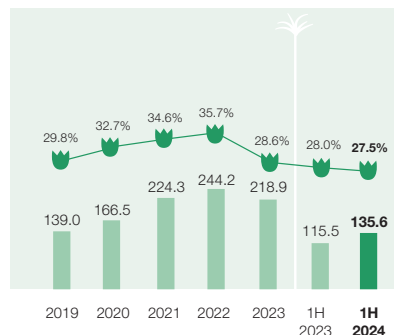
## Revenue

RMB'M



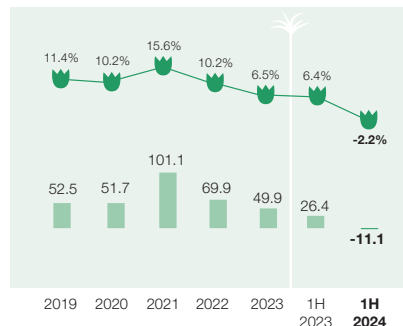
## Gross Profit

RMB'M



## EBITDA/(LBITDA) (Note)

RMB'M



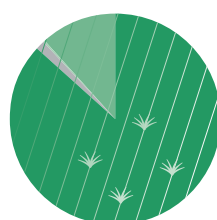
## Net Profit/(Loss)

RMB'M

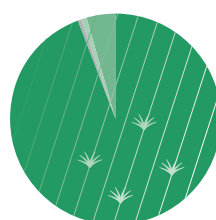


## Revenue by Products

1H2024



1H2023

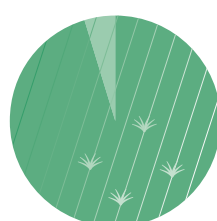


## Revenue by Products

- Jelly Products
- Confectionary Products
- Beverage Products
- Other Snacks Products

## Revenue by Locations of End Customers

1H2024



1H2023



## Revenue by Distribution Channels

- Wholesale Distributors
- Overseas

Note: EBITDA/(LBITDA) refers to profit/(loss) before interests, income tax, depreciation, amortization, allowance for expected credit losses, gain on disposal of asset classified as held for sale and written-off of property, plant and equipment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2024, the Group recorded revenue of RMB493.8 million, representing an increase of approximately 19.8% as compared with the corresponding period of last year mainly due to increase in sales of jelly products, confectionary products and other snacks products by 10.4%, 223.3% and 146.6%, respectively. During the six months ended 30 June 2024, the consumer sentiment in the People's Republic of China (the “**PRC**”) continued to recover from the impact of the Coronavirus Disease 2019 (“**COVID-19**”) outbreak. The Group's sales was positively affected by the continual recovery of the consumer sentiment in the PRC. In addition, in the past few years, the Group had put immense efforts in expanding its new sales channels (“**New Sales Channels**”) e.g. sales through major snacks convenience stores chains in the PRC (“**Snacks Convenience Stores Chains**”) and e-commerce on major social media platforms e.g. Douyin. The expansion of these New Sales Channels had boosted the sales of our jelly products, confectionary products and other snacks products.

The gross profit margin of the Group decreased slightly from 28.0% in the six months ended 30 June 2023 to 27.5% in the six months ended 30 June 2024 as the profit margin from the sales through the Snacks Convenience Stores Chains are in general lower than the sales through traditional distributors.

For the six months ended 30 June 2024, the Group recorded a net loss of RMB43.6 million (30 June 2023: RMB4.8 million). The increase in net loss during the six months ended 30 June 2024 was primarily due to the increase in the proportion of sales through Snacks Convenience Stores Chains and e-commerce channels, which were in smaller quantities for each delivery and required higher frequency of logistic services from services providers and logistic staff of the Group. In addition, more advertising and promotion expenses were incurred by the Group for the e-commerce channels.

## Revenue

Revenue increased by approximately 19.8% to RMB493.8 million in the first half of year 2024 when compared with the same period in year 2023. During the period under review, the Group's sales performance has been positively impacted by the recovery of consumer sentiments of the PRC. In addition, the expansion of the New Sales Channels had also boosted the sales of our jelly products, confectionary products and other snacks products.

## Jelly products

Revenue of jelly products increased by approximately 10.4% from RMB388.6 million in the first half of year 2023 to RMB429.2 million in the first half of year 2024 due to the reasons explained above. During the six months ended 30 June 2024, revenue attributable to jelly snacks increased by approximately 25.1% to RMB253.0 million while sales attributable to jelly beverages decreased by approximately 5.5% to RMB176.2 million.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Confectionary products

Revenue of confectionary products increased by approximately 223.3% from RMB17.4 million in the first half of year 2023 to RMB56.2 million in the first half of year 2024. The increase in revenue of confectionary products was mainly due to strong growth in sales performance through Snacks Convenience Stores Chains and e-commerce channels.

### Beverages products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverages products of the Group decreased by approximately 47.6% to RMB1.9 million in the first half of year 2024 mainly because the Group did not launch new major products in this category in the six months ended 30 June 2024 as the contribution of these products was minimal to the Group.

### Other snacks products

Revenue of other snacks products increased by approximately 146.6% to RMB6.6 million, mainly due to strong growth in sales performance through Snacks Convenience Stores Chains and e-commerce channels.

### Cost of Sales and Gross Profit

Cost of sales increased by approximately 20.7% to RMB358.2 million in the first half of year 2024, mainly attributable to the corresponding increase in sales. Gross profit increased by approximately 17.4% to RMB135.6 million in the first half of year 2024. Gross profit margin decrease slightly from 28.0% in the first half of year 2023 to 27.5% in the first half of year 2024 mainly due to the increase in the proportion of sales through Snacks Convenience Stores Chains.

### Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 70.5% to RMB120.6 million in the first half of year 2024 primarily due to increase in the proportion of sales through Snacks Convenience Stores Chains and e-commerce channels, which were in smaller quantities for each delivery and required higher frequency of logistic services from services providers and logistic staff of the Group. In addition, more advertising and promotion expenses were incurred by the Group for the e-commerce channels.

### Administrative Expenses

Administrative expenses increased by approximately 10.2% to RMB46.3 million in the first half of year 2024 as compared with the same period in year 2023. This was mainly due to the increase in various administrative costs e.g. staff costs due to inflation.

### Taxation

During the six months ended 30 June 2024, the Group did not have any assessable income in Bermuda, BVI and Hong Kong. The subsidiaries in the PRC are subject to income tax rate of 25% on their taxable profit during the period.

### Net Loss for the Period

For the six months ended 30 June 2024, the Group recorded a net loss of RMB43.6 million (30 June 2023: RMB4.8 million). The increase in net loss for the six months ended 30 June 2024 was primarily attributable to an increase in selling and distribution expenses by RMB49.9 million as a result of the increase in the proportion of sales through Snacks Convenience Stores Chains and e-commerce channels as explained above.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW

#### Financial resources and liquidity

The Group mainly finances its operations and capital expenditures by cash and bank balances, operating cash flows and bank borrowings. As at 30 June 2024, the bank balances and bank deposits amounted to RMB34.9 million which represented a decrease of RMB9.4 million as compared with the balance as at 31 December 2023. The decrease in bank balances and bank deposits was mainly because the Group spent RMB38.0 million in investing activities in the first half of year 2024 mainly for the upgrade of production lines of the production plants.

As at 30 June 2024, the Group's gearing ratio (total borrowings divided by total equity) was 265.5% (As at 31 December 2023: 202.8%). The Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

#### Cash flow

The Group recorded net cash inflow from operating activities of RMB5.0 million in the first half of year 2024 (2023: RMB56.3 million). The lower operating cash inflow for the period under review was mainly due to the increase in the proportion of sales through Snacks Convenience Stores Chains and e-commerce channels, which were in smaller quantities for each delivery and required higher frequency of logistic services from services providers and logistic staff of the Group. In addition, more advertising and promotion expenses were incurred by the Group for the e-commerce channels. Hence the selling and distribution expenses increased significantly when compared with the same period in year 2023.

The Group spent RMB38.0 million in investing activities in the first half of year 2024 mainly for the upgrade of production lines of the production plants. The Group has net cash inflow from financing activities of RMB13.6 million in the first half of year 2024 mainly due to new bank borrowings and increase in loan from a director during the period under review.

#### Capital expenditure

During the six months ended 30 June 2024, the Group incurred RMB24.6 million in capital expenditure mainly for the upgrade of production lines of the production plants.

#### Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. As at 30 June 2024, the balance of inventory has increased by 33.2% from the beginning of the year mainly due to the expected increase in sales to Snacks Convenience Stores Chains.

The inventory turnover days for the first half of year 2024 and year 2023 were 45 days and 49 days, respectively.

#### Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors and Snacks Convenience Stores Chains. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors and Snacks Convenience Stores Chains. There is no significant change in the balance from the beginning of the year.

The trade receivables turnover days for the first half of year 2024 and year 2023 were 93 days and 141 days, respectively. Subsequent to the period end and up to the date of this interim report, approximately RMB180.4 million of the trade receivables were settled by the wholesale distributors and Snacks Convenience Stores Chains.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Trade payables

Trade payables mainly represent the balances due to the Group's suppliers who generally grant credit terms ranging from 30 days to 60 days to the Group.

Trade payable turnover days for the six months ended 30 June 2024 and 2023 were 40 days and 36 days respectively.

### Foreign exchange fluctuations

The Group earns revenue and incur costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against Hong Kong dollar and US dollar. During the six months ended 30 June 2024, the Group did not enter into forward contracts to hedge the foreign exchange exposures as the Directors considered the financial benefits of such forward contracts may not outweigh their costs.

### Charges on assets

As at 30 June 2024, land use rights and buildings of the Group with carrying values of RMB85,558,000 (31 December 2023: RMB86,798,000) and RMB82,487,000 (31 December 2023: RMB90,690,000) respectively, were pledged to banks as securities for banking facilities granted to the Group.

### Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil)

### DIVIDENDS

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

### PROSPECT

After the COVID-19 pandemic, the consumer sentiment in the PRC and the market demand for the Group's snack products continued to rebound during the six months ended 30 June 2024. The Directors expected that a steady and healthy recovery of the PRC's economy and our business after the COVID-19 pandemic will continue in the short to medium term. To build a solid foundation for mid-to-long term growth, the Group will continue to (i) take proactive steps in marketing its brand image and products in 2024 and onwards, (ii) launch new snacks products from time to time to offer better choices to the consumers and (iii) expand the New Sales Channels coverage in the PRC. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the long run.

While the near-term outlook for the snacks products sector of the PRC remains challenging, the country's ongoing economic reforms and the continuous expansion of the middle and upper class population will propel growth in retail consumption in the long run. Therefore, the Directors are cautiously optimistic to the long term development of the Group's business.

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

For the six months ended 30 June 2024

		Unaudited Six months ended 30 June	
	Note	2024 RMB'000	2023 RMB'000
Revenue	5	493,797	412,182
Cost of sales		(358,217)	(296,710)
Gross profit		135,580	115,472
Other income	6	4,831	4,896
Other gain, net	7	162	27
Allowance for expected credit losses, net		(6,911)	(1,190)
Selling and distribution expenses		(120,635)	(70,754)
Administrative expenses		(46,300)	(42,020)
Operating (loss)/profit		(33,273)	6,431
Finance income		129	73
Finance costs		(10,501)	(12,297)
Finance costs, net	8	(10,372)	(12,224)
Loss before taxation	9	(43,645)	(5,793)
Taxation	10	–	961
Loss and total comprehensive loss for the period		(43,645)	(4,832)
<b>Loss per share attributable to equity holders of the Company</b> (RMB per share)	11	<b>2024</b>	<b>2023</b> (Restated)
– Basic		(0.33)	(0.04)
– Diluted		(0.33)	(0.04)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	13	85,558	86,798
Property, plant and equipment	13	243,029	237,978
Deposits for property, plant and equipment		13,449	7,997
		<b>342,036</b>	332,773
<b>Current assets</b>			
Inventories		80,664	60,545
Trade receivables	14	240,529	238,741
Prepayments and other receivables		143,391	134,529
Pledged bank deposits	15(i)	3,510	–
Cash and cash equivalents		34,874	44,319
		<b>502,968</b>	478,134
<b>Total assets</b>		<b>845,004</b>	810,907

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2024

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	17	940	470,030
Reserves	17	177,973	(247,472)
<b>Total equity</b>		<b>178,913</b>	222,558
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		15,846	15,846
		15,846	15,846
<b>Current liabilities</b>			
Trade and other payables	15	232,405	167,313
Bank borrowings	16	417,840	405,190
		650,245	572,503
<b>Total liabilities</b>		<b>666,091</b>	588,349
<b>Total equity and liabilities</b>		<b>845,004</b>	810,907
<b>Net current liabilities</b>		<b>(147,277)</b>	(94,369)
<b>Total assets less current liabilities</b>		<b>194,759</b>	238,404

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Contributed surplus RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>Balance as at 1 January 2024</b>	<b>470,030</b>	<b>615,656</b>	<b>(87,600)</b>	<b>184,506</b>	<b>-</b>	<b>(41)</b>	<b>(959,993)</b>	<b>222,558</b>
Capital reorganisation (Note 17)	(469,090)	(615,656)	-	-	1,084,746	-	-	-
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(43,645)	(43,645)
<b>Balance as at 30 June 2024</b>	<b>940</b>	<b>-</b>	<b>(87,600)</b>	<b>184,506</b>	<b>1,084,746</b>	<b>(41)</b>	<b>(1,003,638)</b>	<b>178,913</b>
Balance as at 1 January 2023	470,030	615,656	(87,600)	184,506	-	(41)	(855,239)	327,312
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(4,832)	(4,832)
<b>Balance as at 30 June 2023</b>	<b>470,030</b>	<b>615,656</b>	<b>(87,600)</b>	<b>184,506</b>	<b>-</b>	<b>(41)</b>	<b>(860,071)</b>	<b>322,480</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	4,981	56,275
Income tax paid	–	–
<b>Net cash generated from operating activities</b>	<b>4,981</b>	<b>56,275</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(19,148)	(20,363)
Deposits for property, plant and equipment	(5,452)	–
Increase in pledged bank deposits	(3,510)	(10,720)
Interest received	129	72
<b>Net cash used in investing activities</b>	<b>(27,981)</b>	<b>(31,011)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shareholder's loan	11,045	2,605
Proceeds from borrowings	160,000	–
Repayments of borrowings	(147,350)	(21,100)
Interest paid	(10,140)	(11,864)
<b>Net cash generated from/(used in) financing activities</b>	<b>13,555</b>	<b>(30,359)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,445)</b>	<b>(5,095)</b>
Cash and cash equivalents at the beginning of the period	44,319	71,876
<b>Cash and cash equivalents at the end of the period</b>	<b>34,874</b>	<b>66,781</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

## 1 GENERAL INFORMATION

Labixiaoxin Snacks Group Limited (the “**Company**”) was incorporated in Bermuda on 4 May 2004 and domiciled in Bermuda. The Company’s immediate and ultimate holding company is Alliance Food and Beverages (Holding) Company Limited (“**Alliance Holding**”), a company incorporated in the British Virgin Islands (“**BVI**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Wuli Industrial Area, Jinjiang, Fujian, the People’s Republic of China (“**PRC**”) (中國福建省晉江市五里工業園區).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are manufacturing and sale of jelly products, confectionery products, beverages products and other snacks products. The Company’s shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. The condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The condensed consolidated 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 International Financial Reporting Standards (“**IFRS**”).

The Group incurred a net loss of approximately RMB43,645,000 (six months ended 30 June 2023: approximately RMB4,832,000) for the six months ended 30 June 2024. As at 30 June 2024, the Group’s current liabilities exceeded its current assets by approximately RMB147,277,000 (as at 31 December 2023: approximately RMB94,369,000). The directors of the Company have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2024. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2024. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Notwithstanding the above results, the condensed consolidated interim financial information have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)*

### 2 BASIS OF PREPARATION *(Continued)*

#### (1) Financial support from substantial shareholder

Mr. Zheng Yu Long, the substantial shareholder of the Company who have already provided a loan in the aggregate principal amount of approximately RMB57,127,000 under a loan facility of RMB70,000,000 to the Group, have agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 30 June 2024.

#### (2) Connected transaction - issue of new shares under specific mandate

On 13 May 2024, the Company entered into the subscription agreement with the subscribers and the relevant directors of the Company pursuant to which the Company conditionally agreed to allot and issue, and the subscribers conditionally agreed to subscribe for, 85,518,388 new shares at the price of HK\$1.10 per new share (representing a notional price of HK\$0.110 per existing share). The total consideration for the subscription shares, being approximately HK\$94,070,000, will be setoff against the payment amount owing by the Company to the relevant directors of the Company (including the shareholder's loan owing by the Company to Mr. Zheng Yu Long under the loan agreement and the directors' emoluments owing by the Company to the relevant directors of the Company), and accordingly no cash proceeds will be received by the Company from the subscription. Please refer to Note 20(a) for details of the share subscription.

#### (3) Alternative sources of external funding

The Group will take steps to obtain external funding in order to improve the working capital and liquidity and cash flow position of the Group.

#### (4) Cost control measurements

The Group has taken measures to tighten control over production costs and expenses with the aim of attaining profits and positive cash flow from operations.

#### (5) Business reorganisation

The Group may consider the disposal of non-core business and/or financial assets if required.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. The effect of these adjustments has not been reflected in the condensed consolidated interim financial information.

The preparation of condensed consolidated 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 the 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 annual financial statements for the year ended 31 December 2023.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)*

### 3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information.

#### Application of amendments to IFRS Accounting Standards

In the reporting period, the Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated interim financial information:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to IFRS Accounting Standards in the reporting period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

#### Impacts of Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

The Group will apply amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements" which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2024.

The amendments add a disclosure objective to IAS 7 "Statement of Cash Flows" stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The application of the amendments in the current period had no material impact on the condensed consolidated interim financial information and the annual consolidated financial statements for the year ending 31 December 2024.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)*

### 4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risks (including currency risk and 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 financial statements as at 31 December 2023.

There have been no material changes in the risk management department since year end or in any risk management policies since the year end.

### 5 SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of jelly products, confectionary products, beverages products and other snacks products.

The chief operating decision-maker (the "**CODM**") has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business by products and assesses the performance of the following operating segments:

- i. Jelly products
- ii. Confectionary products
- iii. Beverages products
- iv. Other snacks products

The CODM assesses the performance of the operating segments based on measure of segment results without allocation of corporate income (included the other income and other gain) and corporate expenses including the administrative expense and other loss. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements. The Company's executive directors make decisions based on the operating results of each segment and review reports on the ageing analysis of trade receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 5 SEGMENT INFORMATION (Continued)

## Geographical information

No geographical information has been presented as all of the Group's operating activities are carried out in the PRC.

As at 30 June 2024 and 31 December 2023, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

## Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue for the six months ended 30 June 2024 and 2023 is as follows:

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Customer A	70,653	N/A*

\* The corresponding revenue does not contribute over 10% of the Group's revenue for the respective period.

## Segment revenue and results

	Unaudited Six months ended 30 June 2024				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
<b>Revenue</b>					
Sales to external customers	429,157	56,183	1,860	6,597	493,797
Cost of sales	(309,758)	(41,570)	(1,623)	(5,266)	(358,217)
Gross profit	119,399	14,613	237	1,331	135,580
<b>Results of reportable segments</b>	13,604	1,693	(200)	(152)	14,945

Note: For sales to external customer, the revenue is recognized at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 5 SEGMENT INFORMATION (Continued)

## Segment revenue and results (Continued)

A reconciliation of results of reportable segments to loss for the period is as follows:

Unaudited Six months ended 30 June 2024					
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
<b>Results of reportable segments</b>					<b>14,945</b>
Corporate income					4,993
Corporate expenses					(53,211)
<b>Operating loss</b>					<b>(33,273)</b>
Finance income					129
Finance costs					(10,501)
<b>Loss before taxation</b>					<b>(43,645)</b>
Taxation					–
<b>Loss for the period</b>					<b>(43,645)</b>
Amounts included in the measure of segment profit or loss:					
Capital expenditure	20,197	–	4,403	–	24,600
Depreciation of right-of-use assets	772	–	468	–	1,240
Depreciation of property, plant and equipment	13,846	–	42	98	13,986
Allowance for expected credit losses on trade receivables	6,007	786	26	92	6,911

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 5 SEGMENT INFORMATION (Continued)

## Segment revenue and results (Continued)

	Unaudited Six months ended 30 June 2023				Reportable segments total
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	RMB'000
<b>Revenue</b>					
Sales to external customers	388,574	17,380	3,553	2,675	412,182
Cost of sales	(275,407)	(14,850)	(4,854)	(1,599)	(296,710)
Gross profit/(loss)	113,167	2,530	(1,301)	1,076	115,472
<b>Results of reportable segments</b>	46,383	(382)	(1,913)	630	44,718

Note: For sales to external customer, the revenue is recognized at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

A reconciliation of results of reportable segments to loss for the period is as follows:

	Unaudited Six months ended 30 June 2023				Reportable segments total
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	RMB'000
<b>Results of reportable segments</b>					44,718
Corporate income					4,923
Corporate expenses					(43,210)
<b>Operating profit</b>					6,431
Finance income					73
Finance costs					(12,297)
<b>Loss before taxation</b>					(5,793)
Taxation					961
<b>Loss for the period</b>					(4,832)
Amounts included in the measure of segment profit or loss:					
Capital expenditure	16,839	–	3,524	–	20,363
Depreciation of right-of-use assets	772	–	468	–	1,240
Depreciation of property, plant and equipment	17,321	–	169	21	17,511
Allowance for expected credit losses on trade receivables	1,122	50	10	8	1,190

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 6 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Rental income	1,825	1,450
Government subsidy	105	386
Sundry income	2,994	2,760
(Loss)/gain on sale of scrap materials	(93)	300
	4,831	4,896

## 7 OTHER GAIN, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net exchange gain	162	27



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 8 FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Finance costs:</b>		
Interest expenses on bank borrowings	(10,140)	(11,864)
Interest expenses on loan from a director	(361)	(433)
Total finance costs	(10,501)	(12,297)
<b>Finance income:</b>		
Interest income on bank deposits	129	73
Total finance income	129	73
Finance costs, net	(10,372)	(12,224)

## 9 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of inventory sold	295,322	235,692
Advertising and promotion expenses	59,510	34,312
Freight and transportation expenses	18,851	2,600
Staff cost (including directors' remunerations)		
– Salaries and bonuses	78,915	61,257
– Employer's contribution to defined contribution plans	3,353	2,636
Depreciation of property, plant and equipment	13,986	17,511
Depreciation of right-of-use assets	1,240	1,240
Allowance for expected credit losses, net	6,911	1,190

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)*

## 10 TAXATION

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current income tax – PRC Enterprise Income Tax	–	–
Deferred tax, net	–	(961)
	–	(961)

**Hong Kong Profits Tax, Bermuda and BVI income tax**

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision of Hong Kong Profits Tax, Bermuda and BVI Income Tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the six months ended 30 June 2024 and 2023.

**PRC Enterprise Income Tax**

PRC Enterprise Income Tax has been provided at rate of 25% (2023: 25%) on taxable profit of the Group's PRC subsidiaries during the six months ended 30 June 2024.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

**11 LOSS PER SHARE****(a) Basic loss per share**

Basic loss per share is calculated by dividing the net loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023 (Restated)
Net loss attributable to the equity holders of Company (RMB'000)	<b>(43,645)</b>	(4,832)
Weighted average number of ordinary shares in issue for basic loss per share ('000)	<b>132,898</b>	132,898
Basic loss per share (RMB per share)	<b>(0.33)</b>	(0.04)

**(b) Diluted loss per share**

There were no potential ordinary shares in issue for both the six months ended 30 June 2024 and 2023. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

The denominator for the purpose of calculating basic and diluted loss per share for the six months ended 30 June 2023 has been restated to reflect the effect of the share consolidation and capital reduction during the six months ended 30 June 2024.

**12 DIVIDENDS**

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 13 CAPITAL EXPENDITURE

	Right-of-use assets RMB'000	Unaudited Property, plant and equipment RMB'000	Total RMB'000
<b>Six months ended 30 June 2024</b>			
<b>Cost</b>			
As at 1 January 2024	124,613	1,553,600	1,678,213
Additions	–	19,148	19,148
Written-off	–	(1,107)	(1,107)
As at 30 June 2024	124,613	1,571,641	1,696,254
<b>Accumulated depreciation</b>			
As at 1 January 2024	37,815	1,315,622	1,353,437
Depreciation	1,240	13,986	15,226
Written-off	–	(996)	(996)
As at 30 June 2024	39,055	1,328,612	1,367,667
<b>Net book value</b>			
As at 30 June 2024	85,558	243,029	328,587

The land use rights of the Group are located in the PRC which the leasehold periods were 50 years.

As at 30 June 2024, buildings with carrying values of approximately RMB82,487,000 (31 December 2023: approximately RMB90,690,000) and land use right with carrying value of approximately RMB85,558,000 (31 December 2023: approximately RMB86,798,000) were pledged as securities for banking facilities granted to the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 13 CAPITAL EXPENDITURE (Continued)

	Right-of-use assets RMB'000	Unaudited Property, plant and equipment RMB'000	Total RMB'000
<b>Six months ended 30 June 2023</b>			
<b>Cost</b>			
As at 1 January 2023	123,938	1,565,043	1,688,981
Additions	–	29,239	29,239
As at 30 June 2023	123,938	1,594,282	1,718,220
<b>Accumulated depreciation</b>			
As at 1 January 2023	34,658	1,316,860	1,351,518
Depreciation	1,240	17,511	18,751
As at 30 June 2023	35,898	1,334,371	1,370,269
<b>Net book value</b>			
As at 30 June 2023	88,040	259,911	347,951

## 14 TRADE RECEIVABLES

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables	329,338	320,639
Less: Allowance for expected credit losses	(88,809)	(81,898)
	240,529	238,741

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

**14 TRADE RECEIVABLES (Continued)**

For the six months ended 30 June 2024, the Group's revenue are generally on credit term of 180 days (For the six months ended 30 June 2023: 180 days). As at 30 June 2024, the ageing analysis of trade receivables, based on invoice date, and net of allowance for expected credit losses, is as follows:

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Less than 30 days	<b>225,550</b>	220,381
31 days – 90 days	<b>7,729</b>	8,853
91 days – 180 days	<b>7,250</b>	9,507
	<b>240,529</b>	238,741

Included in the above allowance for expected credit losses on trade receivables is approximately RMB88,809,000 (2023: approximately RMB81,898,000). The individually impaired trade receivable relates to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The carrying amounts of trade receivables approximate their fair values.

**15 TRADE AND OTHER PAYABLES**

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Trade payables	<b>54,608</b>	25,744
Bills payable (i)	<b>21,700</b>	–
Accrued expenses	<b>25,465</b>	18,651
Directors' fees and emoluments payable (Note (iv))	<b>23,986</b>	23,000
Loan from a director (Notes (iii) and (iv))	<b>57,127</b>	46,081
Other payables and sundry creditors (Notes (ii) and (iv))	<b>49,519</b>	53,837
	<b>232,405</b>	167,313

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)***15 TRADE AND OTHER PAYABLES *(Continued)***

Notes:

- (i) As at 30 June 2024, the bills payable amounting to approximately RMB11,700,000 were secured by pledged bank deposits of approximately RMB3,510,000.
- (ii) As at 30 June 2024, other payables included interest payable of approximately RMB5,336,000 (31 December 2023: RMB4,974,000) due to a director.
- (iii) As at 30 June 2024, the Company has drawn down an aggregate amount of approximately RMB57,127,000 (31 December 2023: RMB46,081,000) from a loan facility of RMB70,000,000 (31 December 2023: RMB70,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.
- (iv) On 5 July 2024, aggregate amount of approximately RMB85,421,000 of the director's fees and emoluments payable and loan from a director and its interest payable are settled by way of issuance of the Company's new shares (Note 20(a)).

The credit periods granted by suppliers generally range from 30 to 60 days. As at 30 June 2024, the ageing analysis of trade payables based on invoice date is as follows:

	<b>Unaudited 30 June 2024 RMB'000</b>	Audited 31 December 2023 RMB'000
Less than 30 days	<b>27,417</b>	15,751
31 days – 90 days	<b>21,053</b>	5,909
Over 90 days	<b>6,138</b>	4,084
	<b>54,608</b>	25,744

The carrying amounts of trade and other payables approximate their fair values.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

## 16 BANK BORROWINGS

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Secured bank borrowings	388,840	363,190
Unsecured bank borrowings	29,000	42,000
Total bank borrowings	417,840	405,190
Carrying amount of bank borrowings wholly repayable:		
On demand or within 1 year	417,840	405,190

## 17 THE CAPITAL REORGANISATION

On 15 April 2024, the Board proposes to implement a capital reorganisation plan (the “**Capital Reorganisation**”) which comprises the following:

- (i) the share consolidation whereby every ten issued and unissued existing shares of par value of US\$0.05 each will be consolidated into one consolidated share of par value of US\$0.5 each (the “**Share Consolidation**”);
- (ii) immediately following the Share Consolidation becoming effective, the capital reduction whereby the issued share capital of the Company will be reduced from an amount of US\$66,448,850.00 to an amount of US\$132,897.70 such that the par value of each issued consolidated share will be reduced from US\$0.5 to US\$0.001 by (a) an elimination of any fraction of a consolidated share arising from the Share Consolidation in order to round down the total number of the consolidated shares to a whole number, where applicable; and (b) a cancellation of US\$0.499 of the paid-up capital of the Company on each issued consolidated share so that each issued consolidated share will be treated as one fully paid-up share of par value of US\$0.001 each in the share capital of the Company (the “**Capital Reduction**”);
- (iii) immediately following the Capital Reduction, the sub-division whereby each of the then authorised but unissued existing shares of par value of US\$0.05 each will be sub-divided into fifty new shares of par value of US\$0.001 each (the “**Sub-Division**”);
- (iv) subject to and forthwith upon the Capital Reduction and Sub-Division taking effect, all of the authorised but unissued shares with a par value of US\$0.001 each in the share capital of the Company will be cancelled, and the authorised share capital of the Company of US\$250,000,000 will be diminished by such amount representing the amount of shares so cancelled (the “**Authorised Capital Diminution**”), and forthwith upon the Authorised Capital Diminution, the authorised share capital of the Company will be increased to US\$500,000 by the creation of such number of shares with a par value of US\$0.001 each as shall represent the difference between 500,000,000 Shares with a par value of US\$0.001 each and the number of shares with a par value of US\$0.001 each in issue after the Capital Reduction (the “**Authorised Capital Increase**”);

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

**17 THE CAPITAL REORGANISATION (Continued)**

- (v) immediately following the Capital Reduction becoming effective, the share premium reduction whereby the entire amount standing to the credit of the share premium account of RMB615,656,000 will be reduced to zero (the “**Share Premium Reduction**”); and
- (vi) upon the Capital Reorganisation becoming effective, the credits arising from the Capital Reduction and the Share Premium Reduction in the total amount of approximately US\$151,469,000 (equivalent to approximately RMB1,084,746,000) will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act to then be applied to set off the accumulated losses or be applied by the Board in a manner as permitted by the bye-laws of the Company (the “**Bye-laws**”) and all applicable laws of Bermuda from time to time without further authorisation from the shareholders of the Company.

Each of the new shares arising from the Capital Reorganisation ranks pari passu in all respects with each other in accordance with the Bye-laws.

The Capital Reorganisation was approved by a special resolution in the special general meeting of the Company held on 18 June 2024 and the Capital Reorganisation became effective on 20 June 2024.

**18 COMMITMENTS**

As at 30 June 2024, the Group had no material capital commitments (30 June 2023: Nil).

**19 MATERIAL RELATED PARTY TRANSACTIONS**

In addition to the information disclosed elsewhere in the condensed consolidated interim financial information, the following transactions took place between the Group and related parties at terms agreed between the parties:

**(a) Key management personnel compensation:**

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Directors' fee	326	318
Salaries and other employee benefits	1,919	1,867
	2,245	2,185

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)***19 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*****(b) Loan from a director**

As at 30 June 2024, the Company has drawn down an aggregate amount of approximately RMB57,127,000 (31 December 2023: RMB46,081,000) from a loan facility of RMB70,000,000 (31 December 2023: RMB70,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

**(c) Personal guarantee provided by directors**

Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, have provided personal guarantee to bank borrowings of the Group of approximately RMB388,840,000 (31 December 2023: RMB363,190,000). The bank borrowings are repayable within one year.

- (d)** On 13 May 2024, the Company, Mr. Zheng Yu Long and Alliance Holding as subscribers and Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, a total of 85,518,388 new shares of the Company at the price of HK\$1.10 per new share (Note 20(a)).

**20 EVENT AFTER THE REPORTING PERIOD****(a) The Share Subscription (the “Share Subscription”)**

On 13 May 2024, (i) the Company, (ii) Mr. Zheng Yu Long and Alliance Holding (collectively the “**Subscribers**”) and (iii) Mr. Zheng Yu Long, Mr. Zheng Yu Shuang, Mr. Zheng Yu Huan and Mr. Li Hung Kong (the “**Relevant Directors**”) entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, a total of 85,518,388 new shares of the Company (the “**Subscription Shares**”) at the price of HK\$1.10 per new share (the “**Subscription Agreement**”). The total consideration for the Subscription Shares, being HK\$94,070,000, would be set-off against an aggregate amount of approximately RMB85,421,000 (equivalent to approximately HK\$94,070,000), comprising the shareholder’s loan owing by the Company to Mr. Zheng Yu Long under the loan agreement and the directors’ emoluments owing by the Company to the Relevant Directors, and accordingly no cash proceeds would be received by the Company from the Share Subscription.

The Subscription Shares represent (i) approximately 64.35% of the existing issued share capital of the Company upon the Capital Reorganisation becoming effective; and (ii) approximately 39.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming there would be no change in the issued share capital of the Company between 13 May 2024 and completion of the Share Subscription, other than the Capital Reorganisation and the issue of the Subscription Shares.

The Share Subscription was approved by an ordinary resolution in the special general meeting of the Company held on 26 June 2024. All conditions in the Subscription Agreement have been fulfilled and completion took place on 5 July 2024 in accordance with the terms and conditions of the Subscription Agreement.

- (b)** Save for the Share Subscription disclosed above, there were no other significant events that have occurred subsequent to the end of the reporting period.

## OTHER INFORMATION

### SHARE OPTION SCHEME

On 23 June 2021 (the “**Adoption Date**”), the Company conditionally adopted a new share option scheme (the “**2021 Share Option Scheme**”) whereby the Board can grant options for the subscription of Shares to any full-time or part-time employees, executives, officers or directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board will contribute or have contributed to the Company and/or any of its subsidiaries (the “**Eligible Participants**”) and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

To be an Eligible Participant, the overriding principle is that the person must have contributed or will contribute to the Group. The 2021 Share Option Scheme is subject to the applicable requirements of Chapter 17 of the Listing Rules. The maximum number of Shares that can be issued according to the 2021 Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the Shares in issue as at the date of the adoption of the 2021 Share Option Scheme (i.e. 13,289,770 Shares, after taking into account the effect of the Capital Reorganisation), representing 10% of the issued share capital of the Company as at the latest practicable date prior to the printing of this interim report.

The total number of Shares which may be issued upon exercise of all the options granted and yet to be exercised under the 2021 Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the Shares in issue from time to time. Unless otherwise approved by the shareholders of the Company, the number of Shares that may be granted to a Eligible Participant (including both exercised, cancelled and outstanding options) under the 2021 Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the Shares in issue. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share on the date of grant. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted.

The 2021 Share Option Scheme shall take effect from the Adoption Date and shall remain effective within a period of 10 years from the Adoption Date. As at the latest practicable date prior to the printing of this interim report, the remaining life of the 2021 Share Option Scheme is approximately 6 years and 8 months.

Since the Adoption Date and up to the latest practicable date prior to the printing of this interim report, no options have been granted under the 2021 Share Option Scheme, while the number of options available for grant under the 2021 Share Option Scheme as at 1 January 2024 and 30 June 2024 was 132,897,700 (prior to the Capital Reorganisation) and 13,289,770 (after the Capital Reorganisation has become effective), representing 10% of the issued share capital of the Company as at such dates.

## OTHER INFORMATION *(Continued)*

### INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2024, the interest and short positions of the Directors and the chief executives and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules (the “Model Code”), are as follows:

#### (i) Long position in shares and underlying shares of the Company

Name of Director/ Chief Executive	Nature of Interest	Number of shares interested	Approximate percentage of interest in the Company	Note
Zheng Yu Long	Interest of a controlled corporation	61,091,552	45.97%	1, 3
	Beneficial owner	11,993,506	9.02%	2, 3
Zheng Yu Shuang	Interest of a controlled corporation	61,091,552	45.97%	1, 3
Zheng Yu Huan	Interest of a controlled corporation	61,091,552	45.97%	1, 3
Li Hung Kong	Interest of a controlled corporation	61,091,552	45.97%	1, 3

Note:

- (1) The 61,091,552 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the shares held by Alliance Holding for the purpose of the SFO.
- (2) In addition to the 61,091,552 Shares held through Alliance Holding, Zheng Yu Long is also personally and beneficially interested in 11,993,506 Shares.
- (3) Subsequent to 30 June 2024 and as a result of the Share Subscription which was completed on 5 July 2024, there has been a change in shareholding structure. Please refer to the announcements of the Company dated 13 May 2024 and 5 July 2024 for further details.

OTHER INFORMATION *(Continued)*INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES *(Continued)*

## (ii) Long position in shares and underlying shares of the associated corporation

Name of Director	Name of associated corporation	Total number of shares held in associated corporation	Approximate percentage of issued share capital of associated corporation
Zheng Yu Long	Alliance Holding	28	28%
Zheng Yu Shuang	Alliance Holding	28	28%
Zheng Yu Huan	Alliance Holding	28	28%
Li Hung Kong	Alliance Holding	16	16%

Save as disclosed above or elsewhere in this interim report, as at 30 June 2024, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2024, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Beneficial owner	Interest of a controlled corporation	Investment manager	Security interest	Total interest in shares	Approximate percentage of shareholding	Note
Alliance Holding	61,091,552	–	–	–	61,091,552(L)	45.97%	2, 3
Zheng Yu Long	11,993,506	61,091,552	–	–	73,085,058(L)	54.99%	2, 3
Zheng Yu Shuang	–	61,091,552	–	–	61,091,552(L)	45.97%	2, 3
Zheng Yu Huan	–	61,091,552	–	–	61,091,552(L)	45.97%	2, 3
Li Hung Kong	–	61,091,552	–	–	61,091,552(L)	45.97%	2, 3

## OTHER INFORMATION *(Continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS *(Continued)*

Notes:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) The 61,091,552 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the Shares held by Alliance Holding for the purpose of the SFO.
- (3) Subsequent to 30 June 2024 and as a result of the Share Subscription which was completed on 5 July 2024, there has been a change in shareholding structure. Please refer to the announcements of the Company dated 13 May 2024 and 5 July 2024 for further details.

Save as disclosed above or elsewhere in this interim report, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2024.

### CONNECTED TRANSACTIONS

- (i) As at 30 June 2024, the Company has drawn down an aggregate amount of approximately RMB57,127,000 (31 December 2023: RMB46,081,000) from a loan facility of RMB70,000,000 (31 December 2023: RMB70,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

Under the Listing Rules, Mr. Zheng Yu Long is a connected person to the Company and the loan facility constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since such transaction is conducted on normal commercial terms or better and is not secured by the assets of the Group, it is fully exempt from Shareholders' approval, annual review and all disclosure requirements according to Rule 14A.90 of the Listing Rules.

- (ii) On 13 May 2024, the Company, the Subscribers and the Relevant Directors entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, a total of 85,518,388 new shares of the Company at the price of HK\$1.10 per new share.

Each of the Subscribers and the Relevant Directors is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2024, the Group had approximately 1,100 employees (31 December 2023: approximately 1,200 employees) and total remuneration expenses for the six months ended 30 June 2024 amounted to RMB82.3 million. The employees' salaries are reviewed and adjusted annually based on employee's performance and experience. The Group's employee benefits include performance bonus, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.



## OTHER INFORMATION *(Continued)*

### SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2024. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the latest practicable date prior to the printing of this interim report.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities (including the sale of treasury shares) during the period under review. As at 30 June 2024, the Group did not hold any treasury shares.

### AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices as set out in Appendix C1 to the Listing Rules. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Chung Yau Tong (chairman), Mr. Li Biao and Ms. Guo Li.

The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2024.

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2024, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "**CG Code**") set out in Part 2 of Appendix C1 to the Listing Rules and there has been no deviation from the code provisions of the CG Code.

### MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for securities transactions. The Company has made specific enquiries with all directors of the Company and all the directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the six months ended 30 June 2024.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float throughout the six months ended 30 June 2024.