

# CHINA ANCHU ENERGY

**2024** INTERIM REPORT



**中國安儲能源集團有限公司**

China Anchu Energy Storage Group Limited

*(incorporated in Cayman Islands with limited liability)*

**Stock Code: 2399**

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# Corporate Information

## Board of Directors and Committees

### Executive Directors

Mr. Kwok Kin Sun (*Chairman*)  
Mr. Kwok Hon Fung  
Mr. Lu Ke  
Mr. Duan Huiyuan

### Non-executive Director

Mr. Wang Yan

### Independent Non-executive Directors

Mr. Cheung Chiu Tung  
Mr. Poon Yick Pang Philip  
Mr. Ma Yu-heng

### Audit Committee

Mr. Poon Yick Pang Philip (*Chairman*)  
Mr. Cheung Chiu Tung  
Mr. Ma Yu-heng

### Remuneration Committee

Mr. Cheung Chiu Tung (*Chairman*)  
Mr. Poon Yick Pang Philip  
Mr. Duan Huiyuan

### Nomination Committee

Mr. Kwok Kin Sun (*Chairman*)  
Mr. Poon Yick Pang Philip  
Mr. Cheung Chiu Tung

### Company Secretary

Mr. Ong Kam Chit

### Authorized Representatives

Mr. Kwok Hon Fung  
Mr. Ong Kam Chit

### Auditor

Elite Partners CPA Limited, *Certified Public Accountants*

### Legal Adviser as to Hong Kong Law

Raymond Siu & Lawyers

## Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## Headquarters and Principal Place of Business in the People's Republic of China

Fordoo Industrial Zone E12  
Xunmei Industrial Zone, Fengze District  
Quanzhou City, Fujian Province, China

## Principal Place of Business in Hong Kong

Suite 708A, 7/F,  
Champion Tower,  
3 Garden Road, Central,  
Hong Kong

## Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3,  
Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100,  
Cayman Islands

## Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F, 148 Electric Road,  
North Point, Hong Kong

## Principal Bankers

China CITIC Bank Corporation Limited  
China Construction Bank Corporation

## IR Contact

Investor relations department,  
China Anchu Energy Storage Group Limited  
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## Company Website

[www.chinaanchu2399.com](http://www.chinaanchu2399.com)

# Financial Highlights

## OPERATING RESULTS

	For the six months ended		Change %
	30 June 2024 (Unaudited) RMB million	30 June 2023 (Unaudited) RMB million	
Revenue	229.8	317.0	-27.5%
Gross profit	42.6	71.6	-40.5%
Net loss	(72.5)	(52.3)	+38.6%
	<b>RMB cents</b>	RMB cents	
Basic and diluted loss per share	2.64	1.81	+45.9%

## FINANCIAL POSITION

	As at	As at	Change %
	30 June 2024 (Unaudited) RMB million	31 December 2023 (Audited) RMB million	
Cash and cash equivalents	41.0	70.3	-41.7%
Total assets	1,631.3	1,725.5	-5.5%
Net assets	654.5	686.4	-4.6%

## FINANCIAL RATIO

	For the six months ended		Change %
	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	
Gross profit margin	18.50%	22.60%	-4.1%
Net loss to revenue	(31.5%)	(16.5%)	+91.2%
Return on equity	(11.1%)	(13.5%)	-17.9%

	As at	As at	Change %
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	
Net debt to equity ratio	68.2%	56.3%	+21.1%
Gearing ratio	74.5%	66.5%	+12.0%



# Management Discussion and Analysis

## OVERVIEW

China Anchu Energy Storage Group Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are principally engaged in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel, brand licensing and sales of energy storage battery in the People’s Republic of China (the “**PRC**”) during the six months ended 30 June 2024 (the “**Period**”).

### Industrial Products

The Group sells automotive, motorcycle and other industrial products through Oriental Starway Limited (“**Oriental Starway**”), its 51% indirectly non wholly-owned subsidiary, to customers located in Saudi Arabia. The demand of such products from customers in Saudi Arabia remained high during the Period as the economy of Saudi Arabia was benefited from the economic policy of Saudi Arabia and the high oil prices and strong demand of oil owing to the Russian-Ukrainian War. However, the revenue from this segment for the Period was affected by the Red Sea crisis beginning in late 2023. Our main customers’ shipping ports are located in Jeddah which is a Saudi Arabian port city in the Red Sea. The Group had to delay the delivery of the industrial products and thus affected the amount of the revenue. Furthermore, the competition from other suppliers in Southeast Asia engaging in export business to Saudi Arabia faced by the industrial products segment was becoming intense and put pressure on the prices of the Group’s industrial products in the Period, thus lowering the overall profit margin of this segment.

### Menswear Apparel

The Group engages in the sales of its branded menswear apparel and brand licensing in the PRC. The Group completed the transformation from labour intensive manufacturing enterprise to outsourcing its branded menswear apparel by leveraging its own design talent in 2021. The Group currently sources its products on OEM basis only, which is more flexible in meeting the customer demand in the current trend.

Under the current weak retail environment, distributors placed small quantity orders of different product mix, which resulted in economies of scale in production could not be achieved. In addition, after experiencing the suspension of social and economic activities in those years due to the COVID-19 pandemic, outsourcing production process can avoid the sunk cost of production, such as idle labor costs and the fringe benefits.

### Energy Storage Battery

The Company further expanded to the business of energy storage battery segment in 2022. Jiangsu HengAn Energy Technology Co., Ltd. (“**Jiangsu HengAn**”), an indirect wholly-owned subsidiary of the Company, acquired the intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery (鋅溴液流電池). The Group believes that the energy storage battery market will have promising prospects for development under the support of the national policy of “carbon emission reduction” in the PRC. As the battery production was still under trial stage during the Period, the revenue for the Period was insignificant.

## Fund Raising Activities

### Issue of new Shares under general mandate

On 19 June 2024, the Group issued a total of 42,000,000 new shares of the Company (the “**Shares**”) under general mandate for a total sum of HK\$21 million (approximately RMB19.1 million). The net proceeds from the subscription were approximately HK\$20.9 million. The amount of approximately HK\$9.0 million had been utilised for general working capital. Please refer to the announcements of the Company dated 29 May 2024 and 19 June 2024 for details.

On 12 December 2023, the Group issued a total of 398,856,000 new Shares under general mandate for a total sum of approximately HK\$199.4 million (approximately RMB180.7 million). The net proceeds from the subscriptions were approximately HK\$199.1 million. The amounts of approximately HK\$103.6 million, approximately HK\$5.1 million and approximately HK\$90.4 million had been fully utilised for future business development, repayment of debts and general working capital, respectively. Please refer to the announcements of the Company dated 22 November 2023, 12 December 2023 and 23 August 2024 for details.

# Management Discussion and Analysis

## Grant of Share Options

On 23 January 2024, the Company granted an aggregate of 170,000,000 shares options (the “**Share Options**”) to 2 Directors, namely Mr. Lu Ke and Mr. Duan Huiyuan, and 13 other employees of the Group to subscribe for an aggregate of 170,000,000 ordinary Shares, under the share option scheme adopted by the Company on 9 June 2014 (the “**Share Option Scheme**”) at an exercise price of HK\$0.91 per Share.

The grant of Share Options to each of the above Directors has been approved by all the independent non-executive Directors in accordance with Rule 17.04(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

For the details of the grant of Share Options, please refer to the announcement of the Company dated 23 January 2024.

## BUSINESS REVIEW

### A. Industrial Products Segment

The Group sells automotive, motorcycle and other industrial products to customers in Saudi Arabia with a business partner who is holding 49% of the equity interest of Oriental Starway. The business partner has over 15 years of extensive experience in selling auto parts with strong network of marketing in Saudi Arabia and supply chain in the PRC. The Group believes that the automotive market in Saudi Arabia will have good prospects for development under the current plan and accordingly has seized the opportunity to enter into the automotive market with a strong partnership in business.

#### Automotive Market

Pursuant to the CEIC Data, the total numbers of vehicles sold in Saudi Arabia in 2021, 2022 and 2023 were approximately 557,000, 617,000 and 759,000, respectively. The number of vehicles sold in Saudi Arabia kept increasing in the past years, showing the strong demand for automotive and motorcycle industrial products in the region.

Saudi Vision 2030, initially announced on 25 April 2016, is a strategic framework to reduce Saudi Arabia’s dependence on oil, diversify its economy, and develop public service sectors. Key goals include reinforcing economic and investment activities, increasing non-oil international trade, and promoting a softer and more secular image of Saudi Arabia. To achieve these goals, the National Industrial Development Center (the “**NIDC**”) aims to attract three to four OEMs across the vehicles value chain, with the goal of producing 300,000 vehicles annually with a 40% local content by 2030. In 2021, there were only four assembly plants in Saudi Arabia for commercial vehicles and these have a low volume output. The NIDC provides incentives to enable industrialization through loans, tax incentives and tariff exemptions. Vehicle body panels, wheel components, tires, seats, fuel pumps, seat belts, rear indicator light covers, headlights, bumpers and engine covers are in demand and present sustainable market opportunities for the Group in Saudi Arabia.

In December 2022, the President of the PRC, Xi Jinping, visited Saudi Arabia and signed a strategic partnership agreement with Saudi Arabia’s King Salman bin Abdul Aziz. They agreed to work together to deepen the automotive industry, supply chain, logistics, desalination, infrastructure, processing industry, mining, finance and other fields under the framework of the “Belt and Road Initiative” and “Saudi Vision 2030” to create an opportunity, incentive and supportive investment environment. Therefore, we believe that the demand for other industrial products will be promising in the coming years.

# Management Discussion and Analysis

## **Other Industrial Products Market**

Other industrial products are mainly household hardware materials for decoration and renovation. Benefit from the strong economy in Saudi Arabia, people were willing to renovate their apartments and thus raised the demand for those industrial products.

## **Customers**

As at 30 June 2024, the Group had three main customers for the industrial products segment. They are engaging in the businesses of wholesale and retail sale of automotive, motorcycle and other industrial products in Saudi Arabia and other Middle East countries. They are mainly located in Jeddah which is the second largest city in Saudi Arabia. Jeddah has long been a seaport city and a trading hub for the region. These merits are beneficial to our customers' business.

The demand of such products from customers in Saudi Arabia remained high during the Period as the economic policy of Saudi Arabia intends to reduce the dependency on oil and non-oil industries benefit from it.

The aggregate revenue of the five largest customers during the Period accounted for approximately 99.1% of the total revenue of the industrial products segment.

## **Suppliers**

The Group purchased industrial products from its suppliers, mainly factories and distributors in the PRC.

The competition from other suppliers in Southeast Asia engaging in export business to Saudi Arabia faced by the industrial products segment was getting intense and put pressure on the prices of the Group's industrial products in the Period, thus lowering the overall profit margin of this segment.

The aggregate purchase amounts of the five largest suppliers during the Period for industrial products segment accounted for approximately 96.3% of the total purchase amounts of the industrial products segment.

## **B. Menswear Apparel Segment**

### **Distribution Network for the Sales of Menswear Apparel**

The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors. The Group also sells its products to online distributors which then resell the products to end customers through various third-party online platforms such as Tmall.com and JD.com.

Due to the economic environment in the PRC and the expiry of the leases during 2022, we closed all 15 self-operated retail outlets in Quanzhou, Fujian Province and Beijing in the second half of 2022.

As at 30 June 2024, our distribution network comprised 35 distributors (31 December 2023: 41) (including one online distributor) and 21 sub-distributors (31 December 2023: 21) which operated 220 retail outlets (31 December 2023: 221), representing a net decrease of 1 retail outlet. As at 30 June 2024, 87.3% (31 December 2023: 87.8%) of the retail outlets were located in department stores or shopping malls whereas 12.7% (31 December 2023: 12.2%) of the retail outlets were standalone stores.

# Management Discussion and Analysis

## Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. During the Period, the Group invested moderately in advertising and promotion to enhance its brand awareness, including organizing presentation events for new products and engaging in online advertisement through the internet to improve the reputation of our brand name.

## Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe that our ability and commitment to provide fashionable and comfortable products have been integral to our success. Our product design and development team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

## Sales Fairs

We organise sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fair for 2024 autumn/winter collections was held in April 2024, and the sales fair for 2025 spring/summer collections will be held in September 2024.

## C. Energy Storage Battery Segment

In 2022, as part of the Group's strategy to diversify its business and to enhance the long-term growth and shareholder value, the Group had acquired intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery and diversified its business into energy storage battery segment through Jiangsu HengAn. The main operations of this segment are production and sales of zinc-bromine flow battery (鋅溴液流電池). A zinc-bromine flow battery is a rechargeable battery system that uses the reaction between zinc metal and bromine to generate electric current. It is being developed for stationary power applications, ranging from domestic energy usage to grid-scale energy (電網規模能源). It enables power system operators and utilities companies to store energy for future use.

### Zinc-bromine Flow Battery Research and Development Production Base

Jiangsu HengAn has set up a zinc-bromine flow battery research and development production base (the "**Production Base**") in the Jiangning Development Zone\* (江寧開發區) and commenced the phase 1 development plan. After completion of the phase 1 development plan in November 2022, Jiangsu HengAn started the production trial run. The time for testing and adjusting the machines was longer than expected due to the impact of COVID-19 pandemic in late 2022 and early 2023. As the time for testing was long, the Group needed time to purchase new equipment to replace those tools consumed to make the production lines optimal for commercial operation.

### Increase in plant production capacity

On 13 February 2023, the Company has entered into a letter of intent (the "**LOI**") on collaboration with Nanjing Jiangning Economic and Technological Development Committee\* (南京江寧經濟技術開發區管理委員會), to carry out phase 2 development plan to increase the plant production capacity of the Production Base in order to meet the demands from customers. The Group expects that the phase 2 development plan will be completed in 2025. For details of the LOI, please refer to the announcement of the Company dated 13 February 2023.

To increase the plant production capacity and efficiency, the Group planned to achieve automation of its production lines. The Group needed to re-design its production base, purchase new equipment and also upgrade the existing equipment.

During the trial run production stage, the production capacity was relatively low, therefore the revenue for the Period was insignificant.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

#### Revenue by Product Type

	For the six months ended 30 June				Change %
	2024		2023		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Industrial Products</b>					
Automotive Industrial Products	113.5	49.4%	144.4	45.5%	-21.5%
Other Industrial Products	61.1	26.6%	118.4	37.4%	-48.4%
<b>Total of Industrial Products</b>	<b>174.6</b>	<b>76.0%</b>	262.8	82.9%	-33.6%
<b>Menswear Apparel</b>					
Menswear Apparel Products	43.3	18.8%	48.1	15.1%	-10.0%
Brand licensing	5.9	2.6%	5.9	1.9%	-0.3%
<b>Total of Menswear Apparel</b>	<b>49.2</b>	<b>21.4%</b>	54.0	17.0%	-8.9%
<b>Energy Storage Battery</b>					
Energy Storage Battery	6.0	2.6%	0.2	0.1%	+2,900%
<b>Total</b>	<b>229.8</b>	<b>100%</b>	317.0	100%	-27.5%

The decrease in revenue was the combined effect of the decrease of approximately RMB88.3 million in the revenue from the industrial products segment, the decrease of approximately RMB4.8 million in the revenue from the menswear apparel segment and the increase of approximately RMB5.8 million in the revenue from the energy storage battery segment.

The decrease in revenue from the industrial products segment was significant due to the Red Sea crisis which the vessels sailing in the Red Sea were attacked and this led to the re-routing of commercial vessels in the region. The Group had to delay the delivery of the industrial products transported by sea to its customers in Saudi Arabia and thus the revenue from this segment was affected. However, the revenue from this segment was still material for the Group.

# Management Discussion and Analysis

## Revenue by Region

Region	For the six months ended 30 June				Change %
	2024		2023		
	RMB million	% of revenue	RMB million	% of revenue	
<b>Saudi Arabia</b>					
Industrial Products	174.6	76.0%	262.8	82.9%	-33.6%
<b>PRC</b>					
Menswear Apparel	49.2	21.4%	54.0	17.0%	-8.9%
Energy Storage Battery	6.0	2.6%	0.2	0.1%	+2,900%
<b>Total of PRC</b>	<b>55.2</b>	<b>24.0%</b>	54.2	17.1%	+1.8%
<b>Total</b>	<b>229.8</b>	<b>100%</b>	317.0	100%	-27.5%

Saudi Arabia region was the major revenue contributor to the Group, accounting for approximately 76.0% (2023: 82.9%) of the total revenue.

## Cost of Sales

	For the six months ended 30 June				Change	
	2024		2023		RMB million	%
	RMB million	% of revenue	RMB million	% of revenue		
Industrial Products	142.3	61.9%	204.2	64.4%	-61.9	-30.3%
Menswear Apparel	36.7	16.0%	41.0	12.9%	-4.3	-10.5%
Energy Storage Battery	8.2	3.6%	0.2	0.1%	+8.0	+4,000%
<b>Total</b>	<b>187.2</b>	<b>81.5%</b>	245.4	77.4%	-58.2	-23.7%

Cost of sales decreased by approximately 23.7% to approximately RMB187.2 million for the Period from approximately RMB245.4 million for the six months ended 30 June 2023 (the "Prior Period").

For industrial products segment, the cost of sales was attributable to the purchases of industrial products from suppliers in the PRC. The decrease in cost of sales from industrial products segment was in line with the decrease in revenue from this segment.

The decrease in cost of sales from menswear apparel segment was in line with the decrease in revenue from this segment.

# Management Discussion and Analysis

## Gross Profit/(Loss)

	For the six months ended 30 June		Change RMB million	Change %
	2024 RMB million	2023 RMB million		
Industrial Products	32.3	58.6	-26.3	-44.9%
Menswear Apparel	12.5	13.0	-0.5	-3.8%
Energy Storage Battery	(2.2)	0.0	-2.2	-100%
<b>Total</b>	<b>42.6</b>	<b>71.6</b>	<b>-29.0</b>	<b>-40.5%</b>

## Gross Profit/(Loss) Margin

	For the six months ended 30 June		Change %
	2024 RMB million	2023 RMB million	
Industrial Products	18.5%	22.3%	-3.8%
Menswear Apparel	25.4%	24.1%	+1.3%
Energy Storage Battery	(36.7%)	0.0%	-36.7%
Group	18.5%	22.6%	-4.1%

The decrease in gross profit margin in industrial products segment was caused by lower selling prices to attract customers in the Period due to more supplies in the market. The slight increase in gross profit margin in the menswear apparel segment was due to the lower cost of sales.

The gross loss margin in the energy storage battery segment was mainly due to the testing and sample costs during the trial production run.

## (Loss)/Profit for the Period

	For the six months ended 30 June		Change RMB million	Change %
	2024 RMB million	2023 RMB million		
Industrial Products	18.9	(24.9)	+43.8	+175.9%
Menswear Apparel	(30.2)	(17.8)	-12.4	-69.7%
Energy Storage Battery	(30.3)	(17.7)	-12.6	-71.2%
Unallocated	(30.9)	8.1	-39.0	-481.5%
<b>Total</b>	<b>(72.5)</b>	<b>(52.3)</b>	<b>-20.2</b>	<b>-38.6%</b>

The Group recorded continuous loss for the Period. The management of the Group concluded that there was impairment indication and conducted a review of the recoverable amount of trade receivables of the Group. Based on the result of the assessment, management of the Group determined that the recoverable amount of trade receivables was lower than its carrying amount. A net allowance for expected credit losses on trade receivables under IFRS 9 "Financial Instruments" of approximately RMB23.0 million (2023: RMB60.1 million) had been recognised.

# Management Discussion and Analysis

The Company granted Share Options to certain Directors and employees of the Group during the Period. The equity-settled share based payment expenses in respect of the share options granted during the Period was approximately RMB22.7 million (2023: nil).

## Other Income and Other Gains or Losses

For the Period, other income and other gains or losses slightly increased by approximately RMB0.8 million to approximately RMB8.9 million from approximately RMB8.1 million for the Prior Period. The net increase was mainly due to an increase in rental income of approximately RMB0.7 million and an increase in net foreign exchange gain of approximately RMB1.1 million, partially offset by the decrease in interest income of approximately RMB1.0 million.

## Selling and Distribution Expenses

	For the six months ended 30 June					
	2024		2023		Change RMB million	Change %
	RMB million	% of revenue	RMB million	% of revenue		
Industrial Products	6.5	2.8%	4.3	1.4%	+2.2	+51.2%
Menswear Apparel	1.2	0.5%	9.3	2.9%	-8.1	-87.1%
Energy Storage Battery	4.9	2.1%	2.8	0.9%	+2.1	+75.0%
<b>Total</b>	<b>12.6</b>	<b>5.4%</b>	16.4	5.2%	-3.8	-23.2%

For the industrial products segment, the increase in the selling and distribution expenses was mainly due to the increased shipping container charges as the container charges kept increasing in 2024. Thus, the expenses to the revenue increased by approximately 1.4% from 1.4% in the Prior Period to 2.8% for the Period.

For the menswear apparel segment, the decrease in selling and distribution expenses was primarily due to the decrease in advertising and promotional expenses. The management reviewed the advertising strategy to control the advertising expenses.

For the energy storage battery segment, the selling and distribution expenses were approximately RMB4.9 million, accounted for approximately 2.1% of the revenue.

## Administrative and Other Operating Expenses

	For the six months ended 30 June					
	2024		2023		Change RMB million	Change %
	RMB million	% of revenue	RMB million	% of revenue		
Industrial Products	1.0	0.4%	26.3	8.3%	-25.3	-96.2%
Menswear Apparel	18.3	8.0%	18.6	5.9%	-0.3	-1.6%
Energy Storage Battery	23.3	10.1%	14.5	4.6%	+8.8	+60.7%
Unallocated	28.2	2.5%	-18.0	-5.7%	+46.2	+256.7%
<b>Total</b>	<b>70.8</b>	<b>21.0%</b>	41.4	13.1%	+29.4	+71.0%

# Management Discussion and Analysis

As the management of the industrial products segment was centralised and managed by the Company and other subsidiaries of the Group, the administrative and other operating expenses of the industrial products segment were insignificant for the Period.

For the menswear apparel segment, the minor decrease in the administrative and other operating expenses was mainly due to the decrease in development expenses of approximately RMB120,000 and the decrease in depreciation expenses in furniture, fixtures and equipment of approximately RMB262,000.

For the energy storage battery segment, the administrative and other operating expenses mainly comprised of staff salaries and insurance expenses of approximately RMB7.0 million (2023: RMB5.7 million), depreciation expenses for property, plant and equipment and amortisation expenses for intangible assets of approximately RMB2.5 million (2023: RMB2.9 million), amortisation expenses on leases of approximately RMB1.4 million (2023: RMB1.4 million) and research and development expenses of approximately RMB4.2 million (2023: RMB2.7 million). This segment was under trial run production stage in the Period.

## Finance Costs

Finance costs decreased by approximately 30.0% from approximately RMB17.2 million in the Prior Period to approximately RMB12.0 million in the Period, mainly due to the decrease in the interest expenses in respect of (i) corporate bonds issued by the Company, which were repaid during 2023; and (ii) convertible bonds issued by the Company, which were converted into Shares in late 2023.

## Income Tax Expenses

Income tax expenses increased by approximately 282.2% from income tax credit of approximately RMB3.1 million in the Prior Period to income tax expenses of approximately RMB5.6 million in the Period. The increase in income tax expenses was mainly due to the decrease in deferred tax assets generated from allowance for expected credit losses on trade receivables and the increase in profits tax expenses for the industrial products segment.

## Interim Dividend

The Board has resolved not to declare the payment of any interim dividend for the Period (30 June 2023: Nil).

## Liquidity and Financial Resources and Capital Structure

As at 30 June 2023, the total cash and bank balances of the Group were approximately RMB41.0 million (31 December 2023: RMB70.3 million), comprising cash and cash equivalents of approximately RMB41.0 million (31 December 2023: RMB70.3 million).

The Group had a total of interest-bearing borrowings of approximately RMB487.5 million (31 December 2023: RMB456.5 million) comprising bank and other borrowings of approximately RMB400.2 million (31 December 2023: RMB382.0 million), corporate bonds of approximately RMB32.0 million (31 December 2023: RMB35.1 million), convertible bonds of approximately RMB2.7 million (31 December 2023: RMB2.7 million) and loans from a shareholder of approximately RMB52.6 million (31 December 2023: RMB36.7 million). The Group's borrowings were primarily denominated in RMB and HK\$ (31 December 2023: in both RMB and HK\$) and bear interest at the fixed rate (31 December 2023: fixed rate) ranging from 0.1% to 8% (31 December 2023: 0.1% to 13%) per annum.



# Management Discussion and Analysis

The maturity profile of the total borrowings as at 30 June 2024 is as follows (with comparative figures as at 31 December 2023):

	As at 30 June 2024		As at 31 December 2023	
	RMB million (Unaudited)	%	RMB million (Audited)	%
Bank and other borrowings, corporate bonds, convertible bond and loans from a shareholder				
— Within 1 year or on demand	462.6	94.9%	430.1	94.2%
— Over 1 year but within 2 years	24.9	5.1%	19.0	4.2%
— Over 2 years but within 5 years	–	–	7.4	1.6%
<b>Total</b>	<b>487.5</b>	<b>100%</b>	456.5	100%

As at 30 June 2024, the gearing ratio was approximately 74.5% (31 December 2023: 66.5%). The increase was mainly due to the increase in borrowings. The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%.

As at 30 June 2024, the Group's total equity decreased by approximately RMB31.9 million to RMB654.5 million (31 December 2023: RMB686.4 million). The decrease was mainly due to the loss for the Period.

The Group recorded a net debt to equity ratio of 68.2% as at 30 June 2024 (31 December 2023: 56.3%).

The Group regularly and actively monitors its capital structure to ensure that there is sufficient working capital to operate its business and to maintain a balanced capital structure between providing steady returns to its shareholders and benefits to its other stakeholders and having an adequate level of borrowing and security.

## Charges of Assets

As at 30 June 2024, secured bank borrowings of RMB350.0 million (31 December 2023: RMB335.0 million) were secured by the following assets with the carrying values:

	As at 30 June 2024 RMB million	As at 31 December 2023 RMB million
Properties	6.0	4.4
Intangible assets	0.1	–
Investment properties	205.0	212.6
Land use right	214.0	217.6
<b>Total</b>	<b>425.1</b>	434.6

# Management Discussion and Analysis

## Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the Period.

## Future Plans for Material Investments and Capital Assets

### Factory Restructuring

Since 2020, the Group had started to restructure some redundant factory areas (the “**Restructuring**”) in Quanzhou to alternate the usage of those areas to develop a one-stop home and commercial furnishing chain business platform (the “**Platform**”) to increase the income streams.

The Platform will facilitate the matching of suppliers and customers of the furnishing industry. The Restructuring will be separated into different areas such as the furnishing materials store, the furnishing design centre and supporting facilities such as the business centre. We expect to receive rental incomes, promotion and advertisement fees from the Platform.

The Restructuring is under the construction stage and is principally funded by income generated from our operations and bank borrowings. According to the original planned timetable, we expect that the Restructuring would be completed by early 2022. However, due to the recurring COVID-19 situation in 2022, the completion was delayed to 2024.

## Capital Commitments and Contingencies

As at 30 June 2024, the Group had a total capital commitment of RMB224.1 million (31 December 2023: RMB197.7 million). It was primarily related to the construction in progress and purchases of equipment. All the capital commitments are expected to be financed by income generated from our operations and bank borrowings.

As at 30 June 2024, the Group had no material contingent liabilities.

## Foreign Currency Exposure

The functional currency of the Company is the Hong Kong dollar and the figures in the Group’s financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transaction principally in Renminbi, the exchange rate risk at the Group’s operational level is not significant. The Group does not implement any financial instruments for hedging purpose.

## Employees, Training, and Development

The Group had a total of 236 employees as at 30 June 2024 (31 December 2023: 196). The Group invested in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission or bonuses and entitlement to participate in the Group’s share option scheme.

# Management Discussion and Analysis

## Issue of New Shares Under General Mandate

On 29 May 2024 (after trading hours of the Stock Exchange), the Company entered into a subscription agreement with Ms. Cheng Cong (the “Subscriber”), pursuant to which the Subscriber had conditionally agreed to subscribe for 42,000,000 new ordinary Shares at the subscription price of HK\$0.50 per subscription Share. The net issue price was HK\$0.499 per subscription Share. The Subscriber, who is an individual investor with extensive experience in equity investment principally engaged in, among others, e-commerce business in the PRC. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber was independent of the Company and its connected persons. The closing price was HK\$0.315 per Share as quoted on the Stock Exchange on the date of the subscription agreement. The aggregate nominal value of the subscription Shares was HK\$105,000. The subscription was completed and 42,000,000 new Shares were issued and allotted to the Subscriber on 19 June 2024. The net proceeds from the subscription amounted to approximately HK\$20.9 million (approximately RMB19.1 million), which were intended for general working capital. The amount of approximately HK\$9.0 million was utilised for general working capital. It is expected that the remaining proceeds will be utilised by the end of 2024. The Directors consider that the subscription represented a good opportunity to raise additional funds to strengthen the financial position and liquidity of the Group and meet any financial obligations at a reasonable cost. The Directors were of the view that, apart from debt financing, the subscription helped to broaden the Company’s funding channels. For details of the subscription, please refer to the announcements of the Company dated 29 May 2024 and 19 June 2024.

On 22 November 2023 (after trading hours of the Stock Exchange), the Company entered into eleven subscription agreements with eleven subscribers (the “Subscribers”), pursuant to which the Subscribers had conditionally agreed to subscribe for 398,856,000 new ordinary Shares in aggregate at the subscription price of HK\$0.50 per subscription Share. The net issue price was HK\$0.499 per subscription Share. The table below sets out the background of the Subscribers:

Subscribers	Background of the Subscribers
Subscriber A	Subscriber A is an individual investor with extensive experience in equity investment and is a merchant.
Subscriber B	Subscriber B is an individual investor with extensive experience in equity investment and is a merchant.
Subscriber C	Subscriber C is a company which is principally engaged in investment holding and its ultimate beneficial owner is an individual investor with extensive experience in equity investment and is a merchant.
Subscriber D	Subscriber D is a company which is principally engaged in investment holding and its ultimate beneficial owner is an individual investor with extensive experience in equity investment.
Subscriber E	Subscriber E is an individual investor with extensive experience in business management and equity investment.
Subscriber F	Subscriber F is an individual investor with extensive experience in equity investment and engages in network technology business in the PRC.
Subscriber G	Subscriber G is an individual investor with extensive experience in business management and equity investment.
Subscriber H	Subscriber H is an individual investor with extensive experience in business management and equity investment.
Subscriber I	Subscriber I is an individual investor with extensive experience equity investment and a consultant in educational institute in the PRC.
Subscriber J	Subscriber J is an individual investor with extensive experience in business management and equity investment.
Subscriber K	Subscriber K is an individual investor with extensive experience in equity investment.

# Management Discussion and Analysis

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Subscribers and its ultimate beneficial owner(s) (for corporate entities) were independent of the Company and its connected persons. The closing price was HK\$0.560 per Share as quoted on the Stock Exchange on the date of the subscription agreements. The aggregate nominal value of the subscription Shares was HK\$997,140.00. The subscriptions were completed and 398,856,000 new Shares in aggregate were issued and allotted to the Subscribers on 12 December 2023. The net proceeds from the subscriptions amounted to approximately HK\$199.1 million (approximately RMB180.4 million), which were intended for future business development, repayment of debts and general working capital as to HK\$64.6 million, HK\$45.4 million and HK\$89.1 million respectively.

For the portion of the net proceeds originally allocated for repayment of the debts, the Company originally planned to use the same to, inter alia, partially repay the convertible bond issued by the Company (the “**Convertible Bond**”) due in June 2024. Nevertheless, the bondholder of the Convertible Bond exercised the conversion rights and the same was converted on 14 December 2023 and therefore the Convertible Bond was no longer required to be repaid by the Company. Therefore, the Company has revised the use of the net proceeds, details of which are disclosed in the announcement of the Company dated 23 August 2024. The amounts of approximately HK\$103.6 million, approximately HK\$5.1 million and approximately HK\$90.4 million were fully utilised for future business development, repayment of debts and general working capital, respectively.

The Directors consider that the subscriptions represent a good opportunity to raise additional funds to strengthen the financial position and liquidity of the Group and meet any future development and financial obligations at a reasonable cost. The Directors were of the view that, apart from debt financing, the subscriptions helped to broaden the Company’s funding channels. For details of the subscriptions and change in the use of net proceeds, please refer to the announcements of the Company dated 22 November 2023, 12 December 2023 and 23 August 2024.

## PROSPECTS

The industrial products segment was affected by the Red Sea crisis during the Period. To avoid the products being attacked, the Group had to delay the delivery of the industrial products to the customers located in Saudi Arabia and thus decreased the revenue from this segment for the Period. Besides, the industrial products segment is facing competitions from other suppliers in Southeast Asia region engaging in export business to Saudi Arabia. We believe that the time lag in the delivery of the products has been gradually overcome and the revenue for the segment in the second quarter of 2024 resumed comparable to that of the second quarter of 2023. The Group remains optimistic and will focus on the need of our customers and source more competitive priced products from different suppliers to attract customers and maintain the market share and our overall profit margin simultaneously. We believe that the demand of automobiles will keep growing in the coming years and thus automotive parts shall be in high demand due to the economic policy of Saudi Arabia. Besides, people were willing to renovate their apartments and thus raised the demand for the household hardware materials due to the strong economy of Saudi Arabia.

Due to the uncertainties of business environment and employment in the PRC, we expect that the performance of the menswear apparel segment will still be challenging in the second half of 2024 and the Group will continue to monitor the menswear apparel operations and the retail market to retain the market share, control and reduce unnecessary expenses and save costs.

For the energy storage battery segment, to increase the plant production capacity and efficiency, the Group planned to set up automatic production system and streamline the production lines in phase 2 development plan. The phase 2 development plan is expected to be completed in 2025.

The Group will also implement strict cost control and continue to explore opportunities for business development and diversification, so as to maximise the returns to the Company and its shareholders in the long run and enhance its shareholder value accordingly.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 — unaudited  
(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Revenue</b>	4	<b>229,791</b>	317,061
Cost of sales		<b>(187,213)</b>	(245,433)
<b>Gross profit</b>		<b>42,578</b>	71,628
Other income and other gains or losses	5	<b>8,917</b>	8,093
Impairment losses under expected credit losses (“ECL”) model, net of reversal		<b>(22,981)</b>	(60,051)
Selling and distribution expenses		<b>(12,610)</b>	(16,437)
Administrative and other operating expenses		<b>(70,787)</b>	(41,371)
<b>Loss from operations</b>		<b>(54,883)</b>	(38,138)
Finance costs	6(a)	<b>(12,048)</b>	(17,202)
<b>Loss before taxation</b>	6	<b>(66,931)</b>	(55,340)
Income tax (expenses)/credit	7	<b>(5,614)</b>	3,082
<b>Loss for the period</b>		<b>(72,545)</b>	(52,258)

The notes on pages 23 to 40 form part of this interim report.



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 — unaudited  
(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Other comprehensive expenses for the period</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		(1,289)	(3,005)
<b>Total comprehensive expenses for the period</b>		<b>(73,834)</b>	(55,263)
(Loss)/profit attributable to:			
Equity holders of the Company		(81,795)	(40,044)
Non-controlling interest		9,250	(12,214)
		<b>(72,545)</b>	(52,258)
Total comprehensive (expenses)/income attributable to:			
Equity holders of the Company		(83,836)	(42,983)
Non-controlling interest		10,002	(12,280)
		<b>(73,834)</b>	(55,263)
<b>Loss per share (RMB cents)</b>			
Basic and diluted	8	(2.64)	(1.81)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2024 — unaudited  
(Expressed in Renminbi)

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	20,496	22,706
Investment properties		366,963	372,143
Right-of-use assets		217,271	222,887
Intangible assets		38,006	40,165
Prepayment for acquisition of property, plant and equipment		31,233	30,106
Deferred tax assets		98,082	100,258
		<b>772,051</b>	788,265
<b>Current assets</b>			
Inventories		85,150	30,701
Trade and other receivables	10	733,115	836,211
Cash and cash equivalents		40,981	70,319
		<b>859,246</b>	937,231
<b>Current liabilities</b>			
Trade and other payables	11	422,342	513,784
Bank borrowings	12	390,000	382,000
Loans from a shareholder	13	52,646	36,744
Lease liabilities		2,925	4,194
Corporate bonds	14	9,760	11,436
Convertible bond	15	2,735	—
Current taxation		26,256	25,972
		<b>906,664</b>	974,130
<b>Net current liabilities</b>		<b>(47,418)</b>	(36,899)
<b>Total assets less current liabilities</b>		<b>724,633</b>	751,366

The notes on pages 23 to 40 form part of this interim report.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2024 — unaudited  
(Expressed in Renminbi)

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Bank borrowings	12	10,000	—
Other borrowing		217	—
Deferred tax liabilities		37,740	37,740
Lease liabilities		—	867
Corporate bonds	14	22,215	23,692
Convertible bond	15	—	2,647
		<b>70,172</b>	64,946
<b>Net assets</b>			
		<b>654,461</b>	686,420
<b>Capital and reserves</b>			
Share capital	17(b)	5,725	5,629
Reserves		570,598	612,655
<b>Equity attributable to equity owners of the Company</b>			
Non-controlling interest		78,138	68,136
<b>Total equity</b>			
		<b>654,461</b>	686,420

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 — unaudited  
(Expressed in Renminbi)

	Attributable to equity holders of the Company										Total RMB'000
	Share capital	Share premium	Statutory reserve	Capital reserve	Convertible bond reserve	Exchange reserve	Share-based payment reserve	Accumulated losses	Sub-total	Non-controlling interest	
	RMB'000 Note 17(b)	RMB'000 Note 17(c)(i)	RMB'000 Note 17(c)(ii)	RMB'000 Note 17(c)(iii)	RMB'000 Note 17(c)(vi)	RMB'000 Note 17(c)(iv)	RMB'000 Note 17(c)(v)	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2023</b> <b>(Audited)</b>	4,420	270,371	128,898	39,023	8,756	(3,464)	55	(32,755)	415,304	20,052	435,356
<b>Changes in equity for the six months ended 30 June 2023:</b>											
Loss for the period	-	-	-	-	-	-	-	(40,044)	(40,044)	(12,214)	(52,258)
Other comprehensive expenses for the period	-	-	-	-	-	(2,939)	-	-	(2,939)	(66)	(3,005)
Total comprehensive expenses	-	-	-	-	-	(2,939)	-	(40,044)	(42,983)	(12,280)	(55,263)
Recognition of equity component of convertible bonds	-	-	-	-	6,062	-	-	-	6,062	-	6,062
<b>Balance at 30 June 2023</b> <b>(Unaudited)</b>	4,420	270,371	128,898	39,023	14,818	(6,403)	55	(72,799)	378,383	7,772	386,155
<b>Balance at 1 January 2024</b> <b>(Audited)</b>	5,629	532,798	128,898	39,023	793	(3,891)	-	(84,966)	618,284	68,136	686,420
<b>Changes in equity for the six months ended 30 June 2024:</b>											
(Loss)/Profit for the period	-	-	-	-	-	-	-	(81,795)	(81,795)	9,250	(72,545)
Other comprehensive expenses for the period	-	-	-	-	-	(2,041)	-	-	(2,041)	752	(1,289)
Total comprehensive (expenses)/income	-	-	-	-	-	(2,041)	-	(81,795)	(83,836)	10,002	(73,834)
Issuance of shares	96	19,043	-	-	-	-	-	-	19,139	-	19,139
Equity-settled share-based payments	-	-	-	-	-	-	22,736	-	22,736	-	22,736
<b>Balance at 30 June 2024</b> <b>(Unaudited)</b>	5,725	551,841	128,898	39,023	793	(5,932)	22,736	(166,761)	576,323	78,138	654,461

The notes on pages 23 to 40 form part of this interim report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Operating activities</b>		
Cash generated used in operations	(60,892)	(38,622)
Income tax paid	–	–
Net cash used in operating activities	(60,892)	(38,622)
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment and intangible assets	(2,557)	(10,593)
Payments of construction in progress	(2,393)	(1,496)
Proceeds from disposal of property, plant and equipment	736	–
Interest received	22	1,051
Net cash used in investing activities	(4,192)	(11,038)
<b>Financing activities</b>		
Proceeds from borrowings	205,900	183,900
Repayments of borrowings	(187,683)	(186,900)
Proceeds from loans from a shareholder	53,647	22,744
Repayments of loans from a shareholder	(37,745)	–
Proceeds from issuance of convertible bonds	–	23,682
Interest paid	(10,579)	(19,867)
Repayments of corporate bonds	(4,790)	–
Payments of lease liabilities	(2,143)	(2,054)
Proceeds from subscription of shares	19,139	–
Net cash generated from financing activities	35,746	21,505
Net decrease in cash and cash equivalents	(29,338)	(28,155)
Cash and cash equivalents as at 1 January	70,319	50,375
Cash and cash equivalents as at 30 June	40,981	22,220

The notes on pages 23 to 40 form part of this interim report.



# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 29 August 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in 2023 annual financial statements, except for the application of new and amendment to International Financial Reporting Standards (“IFRS Accounting Standards”) in note 2 and the adoption of new accounting policies that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and the Group since the 2023 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with IFRS Accounting Standards. The interim financial information is unaudited, but has been reviewed by the Company’s audit committee.

In preparing these condensed consolidated interim financial statements, the Directors have considered the future liquidity of the Group. As at 30 June 2024, the Group has net current liabilities of RMB47,418,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, these condensed consolidated interim financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the condensed consolidated interim financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

- (i) The Group has guarantee contracts with certain banks to obtain maximum credit amounts of RMB472,800,000 and as at 30 June 2024, the unutilised facilities amount in respect of bank borrowings is RMB85,800,000.
- (ii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investments and business opportunities with an aim to attain profitable and positive cash flow operations.

On the basis of the foregoing, and after assessing the Group’s current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group’s financial obligations as they fall due for the period of twelve months from the date of condensed consolidated interim financial statements. Accordingly, the condensed consolidated interim financial statements of the Group have been prepared on the going concern basis.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

In the current interim period, the Group has adopted all the new and amendment to IFRS Accounting Standards issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2024. The adoption of these new and amendment to IFRS Accounting Standards did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior accounting period.

Amendments to IAS7 and IFRS7	Supplier Finance Agreement
Amendment to IAS 1	Classification of Liabilities as Current or Non-current
Amendment to IAS 1	Non-current Liabilities with Covenants
Amendment to IFRS 16	Lease Liability in a Sales and Leaseback

The Group has not applied any new and amendment to IFRS Accounting Standards that are not yet effective for the current period in advance.

## 3 SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the condensed consolidated interim financial statements are identified from the condensed consolidated interim financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Operating segments which are individually material are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet a majority of these criteria.

The main operations of the Group are sales of industrial products to customers located in Saudi Arabia ("**Industrial Products**"), sales of menswear apparel, brand licensing ("**Menswear Apparel**") and sales of energy storage battery ("**Energy Storage Battery**") in the PRC.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 SEGMENT INFORMATION (Continued)

### (a) Segment revenue and results

For the six months ended 30 June 2024

	Menswear Apparel RMB'000 (Unaudited)	Industrial Products RMB'000 (Unaudited)	Energy Storage Battery RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue	49,182	174,591	6,018	–	229,791
Segment result before the following items	5,204	24,863	(24,846)	–	5,221
Allowance for ECL of trade receivables, net	(20,715)	(2,266)	–	–	(22,981)
Depreciation and amortisation	(12,781)	–	(5,460)	–	(18,241)
Segment result	(28,292)	22,597	(30,306)	–	(36,001)
Other revenue and unallocated gains				–	–
Corporate and other unallocated expenses				(30,930)	(30,930)
Loss before taxation					(66,931)
Income tax expenses	(1,878)	(3,736)	–	–	(5,614)
Loss for the period					(72,545)

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 SEGMENT INFORMATION (Continued)

### (a) Segment revenue and results (Continued)

For the six months ended 30 June 2023

	Menswear Apparel RMB'000 (Unaudited)	Industrial Products RMB'000 (Unaudited)	Energy Storage Battery RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue	53,998	262,891	172	–	317,061
Segment result before the following items	(2,905)	54,278	(15,758)	–	35,615
Allowance for ECL of trade receivables, net	(2,199)	(57,852)	–	–	(60,051)
Depreciation and amortisation	(14,195)	–	(4,649)	–	(18,844)
Segment result	(19,299)	(3,574)	(20,407)	–	(43,280)
Other revenue and unallocated gains				1,400	1,400
Corporate and other unallocated expenses				(13,460)	(13,460)
Loss before taxation					(55,340)
Income tax credit/(expenses)	545	4,923	–	(2,386)	3,082
Loss for the period					(52,258)

### (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	Menswear Apparel		Industrial Products		Energy Storage Battery		Unallocated		Consolidated	
	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Segment assets	783,219	813,961	497,079	631,959	173,550	255,590	177,449	23,986	1,631,297	1,725,496
Segment liabilities	449,558	464,094	276,373	423,690	108,546	20,293	142,359	130,999	976,836	1,039,076

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 SEGMENT INFORMATION (Continued)

### (c) Geographical Information

#### (a) Revenue

The following table presents the Group's geographical information in terms of revenue for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
China	55,200	54,170
Saudi Arabia	174,591	262,891
	<b>229,791</b>	317,061

#### (b) Non-current assets

The principal place of the Group's operation is in PRC. For the purpose of segment information disclosures under IFRS 8, the Group regards PRC as its country of domicile. Over 90% of the Group's non-current assets are located in the PRC.

### (d) Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the Group's total revenue are as follows:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Customer A (Industrial Products)	38,127	N/A*
Customer B (Industrial Products)	28,854	51,291
Customer C (Industrial Products)	N/A*	87,056
Customer D (Industrial Products)	N/A*	117,016
Customer E (Industrial Products)	81,361	N/A*

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.



# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 4 REVENUE

The principal activities of the Group are sales of industrial products to customers located in Saudi Arabia, sales of menswear apparel, brand licensing and sales of energy storage battery in the PRC. Revenue represents the sales value of goods sold less discounts and Value Added Tax.

Revenue by segment is as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Sales of industrial products	174,591	262,891
Sales of menswear apparel	43,312	48,108
Menswear apparel brand licensing	5,870	5,890
Sales of energy storage battery	6,018	172
	<b>229,791</b>	317,061
<b>Timing of revenue recognition</b>		
At a point of time	224,048	317,061
Over time	5,743	–
	<b>229,791</b>	317,061

## 5 OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest income	22	1,051
Rental income from investment properties less direct outgoings	6,953	6,324
Government grants (note (i))	–	30
Net foreign exchange gain/(loss)	20	(1,083)
Sales of scrap materials	1,398	1,186
Others	524	585
	<b>8,917</b>	8,093

Note:

- (i) Government grants were received from several local government authorities, of which the entitlements were under the discretion of the relevant authorities.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>(a) Finance costs:</b>		
Interest on bank borrowings	9,253	9,833
Interest on corporate bonds	1,410	2,255
Interest on convertible bond	318	4,684
Interest on loans from a shareholder	1,001	300
Interest on lease liabilities	66	130
	<b>12,048</b>	17,202
<b>(b) Staff costs:</b>		
Contributions to defined contribution retirement plans	855	506
Salaries, wages and other benefits	21,153	13,313
Equity-settled share based payment expenses	22,736	–
	<b>44,744</b>	13,819
<b>(c) Other items:</b>		
Amortisation of intangible assets	2,321	2,733
Depreciation of property, plant and equipment	2,723	3,186
Depreciation of investment properties	7,573	7,316
Depreciation of right-of-use assets	5,624	5,609
Research and developments expenses	1,832	3,959
Cost of inventories	182,648	247,337
Impairment losses under ECL model, net of reversal	21,186	60,051
Written-off of trade receivables	1,795	–

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 7 INCOME TAX (EXPENSES)/CREDIT

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
Provision for PRC corporate income tax for the period	–	–
Provision for Hong Kong profits tax for the period	(3,404)	(7,009)
	(3,404)	(7,009)
Deferred tax (expenses)/credit	(2,210)	10,091
	(5,614)	3,082

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 June 2024 and 2023.
- (iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries incorporated in the PRC.
- (iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

## 8 LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	(72,545)	(40,044)

	Number of shares	
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	2,747,941	2,212,018

### (b) Diluted loss per share

The computation of diluted loss per share for the six months ended 30 June 2024 and 2023 did not assume the conversion of the Company's outstanding convertible bonds and exercise of outstanding share options of the Company since their assumed conversion and exercise would result in a decrease in loss per share.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of approximately RMB1,268,000 (six months ended 30 June 2023: RMB7,327,000).

Items of property, plant and equipment with a net book value of approximately RMB755,000 (six months ended 30 June 2023: RMB8,000) were disposed of during the six months ended 30 June 2024.

Items of property, plant and equipment with a net book value of approximately RMBnil (six months ended 30 June 2023: RMB7,575,000) were transferred to investment properties during the six months ended 30 June 2024.

## 10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	935,401	1,088,886
Less: Loss allowance for ECL	(431,077)	(413,313)
Written-off	(4,771)	(1,946)
	<b>499,553</b>	673,627
Trade receivables	499,553	673,627
Prepayments to suppliers	184,941	156,939
Other deposits, prepayments and receivables	48,621	5,645
	<b>733,115</b>	836,211

### Aging analysis

At the end of the reporting period, the aging analysis of trade receivables with net of allowance for ECL, based on invoice date, is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 3 months	126,619	148,590
More than 3 months but within 6 months	49,629	146,731
More than 6 months but within 1 year	241,566	296,031
Over 1 year	81,739	82,275
	<b>499,553</b>	673,627

Trade receivables are normally due for settlement within 90–180 days (31 December 2023: 90–180 days) from the invoice date.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 11 TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	269,551	420,987
Other payables	95,895	39,619
Accruals	56,896	53,178
	<b>422,342</b>	513,784

As at the end of the reporting period, the aging analysis of the trade payables, based on relevant invoice date, is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 month	38,222	29,582
After 1 month but within 3 months	79,836	54,412
Over 3 months but within 6 months	55,049	72,718
Over 6 months but within 1 year	33,105	160,402
Over 1 year	63,339	103,873
	<b>269,551</b>	420,987

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 12 BANK BORROWINGS

(a) The bank borrowings were repayable as follow:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 year or on demand	390,000	382,000
After 1 year but within 2 years	10,000	–
	<b>400,000</b>	382,000

(b) The bank borrowings were secured as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Bank borrowings		
— Secured	350,000	335,000
— Unsecured	50,000	47,000
	<b>400,000</b>	382,000

(c) Certain bank borrowings were secured by assets of the Group, the carrying amounts of these assets are as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Property, plant and equipment	6,003	4,403
Intangible assets	66	–
Investment properties	205,010	212,583
Right-of-use assets	214,029	217,584
	<b>425,108</b>	434,570

(d) Unsecured bank borrowings were guaranteed by:

As at 30 June 2024 and 31 December 2023, certain bank borrowings were guaranteed by Mr. Kwok Kin Sun, a shareholder of the Company, and Ms. Wong Tung Yau, the spouse of Mr. Kwok Kin Sun.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 12 BANK BORROWINGS (Continued)

(e) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Facility amount	472,800	458,800
Utilised facilities amount in respect of bank borrowings	387,000	382,000

## 13 LOANS FROM A SHAREHOLDER

Loans from a shareholder of the Company, Mr. Kwok Kin Sun, are unsecured, interest bearing at 4% to 5% per annum and repayable within one year.

## 14 CORPORATE BONDS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Unsecured corporate bonds	31,975	35,128

The Group's corporate bonds are repayable as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 year	9,760	11,436
After 1 year but within 2 years	22,215	16,272
After 2 years but within 5 years	–	7,420
	31,975	35,128

As at 30 June 2024, the Group issued bonds with carried interest at 0.1%–5% (31 December 2023: 0.1%–6.5%) per annum. The bonds are unsecured with maturity date falling on 2–8 years (31 December 2023: 2–8 years) of the issue date.

The effective interest rate of the bonds ranges from 6.73% to 12.75% (31 December 2023: 6.73% to 12.75%) per annum.



# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 15 CONVERTIBLE BOND

The Company issued approximately HK\$26,205,000, 8.0% per annum convertible bonds on 30 May 2023 (“**2023 CB**”). The convertible bonds are denominated in Hong Kong dollars. The convertible bond holders are entitled to convert the convertible bonds into ordinary shares of the Company at any time from date of issue to the maturity date on 29 May 2025 at an initial conversion price of HK\$0.66 per conversion share. The Company and holder have the callable option to redeem all or some of the convertible bonds plus accrued interest from 30 May 2023 and prior to the maturity date on 29 May 2025. If the convertible bonds have not been converted, it will be redeemed on the maturity date on 29 May 2025 at par. During the year ended 31 December 2023, partial of 2023 CB with amount of approximately HK\$22,780,000 was converted. The Company allotted and issued 34,515,000 shares of the Company to the subscriber on 14 December 2023.

On 21 June 2022, the Company issued HK\$60,000,000, 8.0% per annum convertible bond (“**2022 CB**”). The convertible bond is denominated in Hong Kong dollars. The convertible bond holder is entitled to convert the convertible bond into ordinary shares of the Company at any time from 21 June 2023 to the maturity date on 20 June 2024 at an initial conversion price of HK\$0.6 per conversion share. The Company and holder have the callable option to redeem all or some of the convertible bond plus accrued interest from 21 June 2022 and prior to the maturity date on 20 June 2024. If the convertible bond has not been converted, it will be redeemed on the maturity date on 20 June 2024 at par. During the year ended 31 December 2023, 2022 CB was fully converted. The Company allotted and issued 100,000,000 shares of the Company to the subscriber on 14 December 2023.

The convertible bond contains two components, debt component and equity component. The effective interest rate of the debt component is 25.9%.

The movements of the debt and equity components of the convertible bonds for the period are set out as below:

	Debt component RMB'000	Equity component RMB'000
As at 1 January 2023	46,945	8,756
Proceeds from the issuance of convertible bonds	17,620	6,063
Effective interest expense	5,995	–
Conversion of convertible bonds	(68,884)	(14,026)
Exchange adjustment	971	–
As at 31 December 2023 and 1 January 2024 (audited)	2,647	793
Effective interest expense	<b>68</b>	–
Exchange adjustment	<b>20</b>	–
<b>As at 30 June 2024 (unaudited)</b>	<b>2,735</b>	<b>793</b>

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 16 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES

The Company has adopted a share option scheme on 9 June 2014 whereby the Directors are authorised, at their discretion, to invite certain employees of the Group, including certain directors of the Group, to take up share options at consideration of HK\$1 each (equivalent to RMB0.821 at the date of grant). Each option gives the holder the right to subscribe for one ordinary share in the Company and will be settled gross in shares.

### (a) Details of share options granted are as follows:

#### Options granted on 7 October 2015 ("2015 Options")

Date of grant		Exercise price	Number of options granted	Vesting periods	Contractual life of options
Options granted to the Director:					
7 October 2015	Batch 1	HK\$0.89*	400,000*	one year from the date of grant	From 7 October 2016 to 6 October 2021
7 October 2015	Batch 2	HK\$0.89*	400,000*	two years from the date of grant	From 7 October 2017 to 6 October 2022
7 October 2015	Batch 3	HK\$0.89*	400,000*	three years from the date of grant	From 7 October 2018 to 6 October 2023

\* On 15 October 2019, the Company approved the share subdivision at the extraordinary general meeting, the share subdivision become effect on 17 October 2019, whereby each issued and unissued ordinary share of HK\$0.01 each subdivision into four subdivision ordinary shares of HK\$0.0025 each.

During the year ended 31 December 2023, all options under 2015 Options have lapsed and no share option remained outstanding.

#### Options granted on 23 January 2024 ("2024 Options")

Date of grant		Exercise price	Number of options granted	Vesting periods	Contractual life of options
Options granted to the Directors:					
23 January 2024		HK\$0.91	25,000,000	one year from the date of grant	From 23 January 2025 to 22 January 2029
Options granted to the employees:					
23 January 2024		HK\$0.91	145,000,000	one year from the date of grant	From 23 January 2025 to 22 January 2029

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 16 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES (Continued)

### (b) The number and weighted average exercise prices of share options

	As at 30 June 2024 (Unaudited)		As at 31 December 2023 (Audited)	
	Weighted average Exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the 1 January	N/A	–	HK\$0.89	400,000
Granted during the period/year	HK\$0.91	170,000,000	N/A	–
Lapsed during the period/year	N/A	–	HK\$0.89	(400,000)
Outstanding at 30 June/31 December	HK\$0.91	170,000,000	N/A	–
Exercisable at 30 June/31 December	N/A	–	N/A	–

During the six months ended 30 June 2024, 170,000,000 (31 December 2023: Nil) share options were granted and Nil (31 December 2023: nil) of share options became exercisable as at 30 June 2024.

The shares options outstanding as at 30 June 2024 had an exercise price of HK\$0.91 (31 December 2023: N/A) and a weighted average remaining contractual life of 4.6 years (31 December 2023: N/A).

### (c) Fair value of share options and assumptions

The fair value of the share options determined at date of grant is measured based on binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options at the date of grant and assumptions	2024 Options	2015 Options
Fair value at measurement date (HK\$)	0.32–0.40	0.67–0.68
Share price (HK\$)	0.82	0.89
Exercise price (HK\$)	0.91	0.89
Expected volatility (expressed as average volatility used in the modelling under binomial model)	72.79%	43%
Option life	5 years	6–8 years
Expected dividends	0%	10.11%
Risk-free interest rate (based on Hong Kong Government Bond yield)	3.128%	1.03%–1.30%

The expected volatility is based on the historical volatilities of the share prices of the comparable companies. Expected dividends were estimated by the Company based on its expected dividend policy over the expected terms of the options. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted with a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 17 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

### (b) Share capital

#### Authorised and issued share capital

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
As at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	4,000,000,000	10,000

	Number of ordinary shares of HK\$0.0025	Amount HK\$'000	Amount RMB'000
<b>Issued and fully paid:</b>			
As at 1 January 2023 (Audited)	2,212,018,000	5,530	4,420
Issuance of shares under subscriptions ( <i>note (i)</i> )	398,856,000	997	904
Issuance of shares under conversion of convertible bonds	134,515,000	336	305
As at 31 December 2023 and 1 January 2024 (Audited)	2,745,389,000	6,863	5,629
Issuance of shares under subscription ( <i>note (ii)</i> )	42,000,000	105	96
<b>As at 30 June 2024 (Unaudited)</b>	<b>2,787,389,000</b>	<b>6,968</b>	<b>5,725</b>

Notes:

- (i) On 22 November 2023, the Company entered into the subscription agreements with independent third parties, as the subscribers, pursuant to which the subscribers had conditionally agreed to subscribe for 398,856,000 new shares in aggregate at the subscription price of HK\$0.5 per subscription share. The subscriptions were completed and 398,856,000 new shares in aggregate were issued and allotted on 12 December 2023.
- (ii) On 29 May 2024, the Company entered into the subscription agreement with an independent third party, as the subscriber, pursuant to which the subscriber had conditionally agreed to subscribe for 42,000,000 new shares at the subscription price of HK\$0.5 per subscription share. The subscription was completed and 42,000,000 new shares were issued and allotted on 19 June 2024.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 17 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (c) Nature and purpose of reserves

#### (i) Share premium

The share premium represents the difference between the par value of the shares of the Company (the “Shares”) and proceeds received from the issuance of the Shares.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

#### (ii) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

#### (iii) Capital reserve

On 30 April 2014, an amount payable of RMB39,023,000 had been waived by the shareholder, Mr. Kwok Kin Sun, and capitalised in capital reserve.

#### (iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of operations outside the mainland China.

#### (v) Share-based payment reserve

Share-based payment reserve comprises the following:

- The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. No transfer from the share-based reserve to the share premium account during the period of 2024.
- The portion of the grant date fair value of share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments.

#### (vi) Convertible bond reserve

Convertible bond reserve represents the amount allocated to the equity component of convertible bond issued by the Company.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 18 COMMITMENTS

### Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2024 that were not provided for in the interim financial information were as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Contracted for	224,054	197,677

### Operating leases arrangements

#### As lessor

At the end of the reporting period, the Group had total future minimum lease receivable, in respect of land and buildings, under non-cancellable operating lease with its tenants falling due as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within one year	16,762	14,728
In the second years to fifth years, inclusive	58,709	55,746
After five years	26,645	37,475
	102,116	107,949

## 19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material related party transactions.

### Key management personnel compensation

Remuneration for key management personnel of the Group for the period, including amounts paid to the Directors, is as follows:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	1,216	1,394
Contributions to retirement benefit scheme	63	60
	1,279	1,454

The total remuneration is included in "staff costs" (see note 6(b)).

# Other Information

## Disclosure of Interests

### Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at 30 June 2024, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix C3 to the Listing Rules, were as follows:

Interests in Shares, underlying Shares and debentures and associated corporations:

Name	Nature of interest	Number of issued ordinary Shares held	Number of underlying Shares under the share options held <sup>(3)</sup>	Total	Approximate percentage of shareholding
Mr. Kwok Kin Sun <sup>(1)</sup>	Interest in a controlled corporation	76,547,000	–	76,547,000	2.75%
Mr. Kwok Hon Fung <sup>(2)</sup>	Interest in a controlled corporation	190,102,000	–	190,102,000	6.82%
Mr. Duan Huiyuan <sup>(3)</sup>	Beneficial owner	–	15,000,000	15,000,000	0.54%
Mr. Lu Ke <sup>(3,4)</sup>	Beneficial owner	103,090,000	10,000,000	113,090,000	4.06%

Notes:

- (1) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited (“Everkept”) by reason of his 70% interest in the share capital of Everkept.
- (2) Mr. Kwok Hon Fung, an executive Director, the chief executive officer of the Group and the son of Mr. Kwok Kin Sun, is deemed to be interested in all the Shares held by Equal Plus Limited (“Equal Plus”) by reason of his 100% interest in the share capital of Equal Plus.  
  
Equal Plus is an associated corporation of the Company pursuant to the SFO. Mr. Kwok Hong Fung, an executive Director, in the capacity as a beneficial owner, held the entire issued share capital of Equal Plus (i.e. number of share held: one).
- (3) These are share options granted by the Company under the Share Option Scheme on 23 January 2024. Details of the Share Option Scheme are set out in the section headed “Share Option Scheme” below.
- (4) Mr. Lu Ke is an executive Director and the general manager of Jiangsu HengAn, an indirectly wholly-owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executive of the Company had or were deemed to have any interests or a short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in “Share Option Scheme” below, during the Period, no rights to acquire benefits by means of acquisition of Shares or debentures of the Company were granted to any Directors or their respective spouse or minor children, neither were there any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in another body corporate.



# Other Information

## Substantial Shareholders' and Other Persons' Interests and short positions in the Shares and Underlying Shares of the Company

As at 30 June 2024, so far as the Directors are aware, having made all reasonable enquiries, the following interest of 5% or more of the issued share capital of the Company (other than the interests of the Directors and chief executives as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Ms. Wang Xiu Hua <sup>(1)</sup>	Long	Beneficial owner	530,344,000	19.03%
Equal Plus	Long	Beneficial owner	190,102,000	6.82%

Note:

(1) Ms. Wang Xiu Hua is the mother of Mr. Wang Yan, a non-executive Director.

Save as disclosed above, as at 30 June 2024, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be under section 336 of Part XV of the SFO.

## Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the Period.

## Review of Interim Results

The Company has an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Mr. Ma Yu-heng. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the unaudited interim financial report for the Period.

## Share Option Scheme

The Company adopted the Share Option Scheme on 9 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group. On 23 January 2024, the Company granted options to subscribe for an aggregate of 170,000,000 ordinary Shares of HK\$0.0025 each in the share capital of the Company to Eligible Persons of the Group under the Share Option Scheme at an exercise price of HK\$0.91 per Share. The closing price of the Shares immediately before the date on which the options were granted was HK\$0.89. The Share Option Scheme has expired on 8 June 2024, provided that all outstanding options granted shall still be subject to the terms of the scheme.

# Other Information

Details of movements of the share options during the six months ended 30 June 2024 are set out below:

Category	Date of grant	Exercise price (HK\$)	Exercisable period	As at 1 January 2024	Number of Share Options				As at 30 June 2024
					Granted	Exercised	Cancelled	Lapsed	
<b>Director</b>									
Mr. Duan Huiyuan	23 January 2024	0.91	23 January 2025 to 22 January 2029	-	15,000,000	-	-	-	15,000,000
Mr. Lu Ke	23 January 2024	0.91	23 January 2025 to 22 January 2029	-	10,000,000	-	-	-	10,000,000
<b>Employee</b>									
Other 13 employees of the Group	23 January 2024	0.91	23 January 2025 to 22 January 2029	-	145,000,000	-	-	-	145,000,000
Total				-	170,000,000	-	-	-	170,000,000

The total number of Shares that may be issued in respect of the share options granted under the Share Option Scheme is 170,000,000, representing 6.10% of the Company's issued share capital as at 30 June 2024. The total number of Shares that may be issued in respect of the share options granted under all schemes of the Company during the Period divided by the weighted average number of the Company's issued share capital (excluding treasury shares, if any) during the Period was 6.19%.

As at 1 January 2024 and 30 June 2024, the number of share options available for grant under the Share Option Scheme was 178,800,000 and nil, respectively.

Save and except the Share Option Scheme, the Company has not adopted any other share scheme.

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

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

## Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**") during the Period.

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors, with independent non-executive Directors representing 37.5% of the Board, which fulfills the requirement of the Listing Rules. Such percentage of independent non-executive Directors on the Board can ensure their views would carry significant weight and enhance independence of the Board. On the above basis, the Board considers that the current structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

## Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the Company's code of conduct regarding Directors' securities transactions.

The senior management personnel who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

Upon specific enquiries, all Directors and the senior management personnel of the Company confirmed that they have complied with the relevant requirements under the Model Code throughout the Period.

# Other Information

## Legal Proceedings

Our Directors are not aware of any legal, arbitration or administrative proceedings against us, including the matter described above, that will have a material adverse effect on our business, financial condition or results of operations.

## EVENTS AFTER REPORTING PERIOD

### Discloseable and connected transaction in relation to the acquisition of the 29% equity interest in Rosy Estate Global Limited involving issue of the Consideration Shares under specific mandate

On 22 July 2024 (after trading hours), Novel Star Ventures Ltd. (the **"Purchaser"**), an indirect wholly-owned subsidiary of the Company, and Astute Triumph Holdings Limited (the **"Vendor"**) entered into a sale and purchase agreement (the **"SPA"**), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 29 ordinary shares (the **"Sale Shares"**) in Rosy Estate Global Limited (the **"Target Company"**), an indirect non wholly-owned subsidiary of the Company, representing 29% of the entire equity interest in the Target Company (the **"Acquisition"**), at a consideration of HK\$100 million (the **"Consideration"**). The Consideration shall be satisfied by the Purchaser to procure the Company to allot and issue 200,000,000 Shares (the **"Consideration Share(s)"**) to the Vendor under a specific mandate at the issue price of HK\$0.5 per Consideration Share upon the completion of the Acquisition.

The Vendor is a substantial shareholder of the Target Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules and including the alternative test accepted by the Stock Exchange pursuant to Rule 14.20 of the Listing Rules in lieu of the profit ratio which produces an anomalous result) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An extraordinary general meeting of the Company will be convened for the purpose of considering and, if thought fit, approving, among others, (i) the SPA and the transactions contemplated thereunder; and (ii) the grant of the specific mandate to allot and issue the Consideration Shares.

For the details of the Acquisition, please refer to the announcements of the Company dated 22 July 2024, 24 July 2024 and 23 August 2024.

Save as otherwise disclosed in this report, no important events affecting the Company have occurred since 30 June 2024 and up to the date of this report.

On behalf of the Board

**Kwok Kin Sun**

*Chairman and Executive Director*

Hong Kong

29 August 2024