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HENGDELI HOLDINGS LIMITED

亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3389)

2024 INTERIM RESULTS

	For the six months ended 30 June		
	2024	2023	YoY change
	(Unaudited) RMB'000	(Unaudited) RMB'000	%
Revenue	580,361	675,621	-14.1
Gross profit margin	16.4%	15.4%	100bps
Profit/(loss) for the period	499	(8,799)	105.7
Loss attributable to equity shareholders	(2,504)	(1,985)	26.1

INTERIM RESULTS

The board of directors (the “Board”) of Hengdeli Holdings Limited (“the Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 (the “period under review”), along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	580,361	675,621
Cost of sales		<u>(484,998)</u>	<u>(571,511)</u>
Gross profit		95,363	104,110
Other revenue	4(a)	33,322	23,346
Other net loss	4(b)	(25,686)	(24,840)
Distribution costs		(32,093)	(32,625)
Administrative expenses		<u>(88,126)</u>	<u>(84,879)</u>
Loss from operations		(17,220)	(14,888)
Share of profits of associates		26,514	10,082
Finance costs	5(a)	<u>(2,719)</u>	<u>(2,364)</u>
Profit/(loss) before taxation	5	6,575	(7,170)
Income tax expense	6	<u>(6,076)</u>	<u>(1,629)</u>
Profit/(loss) for the period		<u>499</u>	<u>(8,799)</u>
Attributable to:			
Owners of the Company		(2,504)	(1,985)
Non-controlling interests		<u>3,003</u>	<u>(6,814)</u>
Profit/(loss) for the period		<u>499</u>	<u>(8,799)</u>
Basic and diluted loss per share	7	<u>RMB(0.001)</u>	<u>RMB(0.001)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the six months ended 30 June 2024 – unaudited*

(Expressed in Renminbi)

	Six months ended 30 June	
	2024	2023
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period	499	(8,799)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of overseas subsidiaries' financial statements	31,039	43,947
Share of associates exchange differences on translating foreign operations	3,525	5,184
	34,564	49,131
Items that will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<i>10</i> 4,211	(6,847)
Exchange differences on translation of equity investments at fair value through other comprehensive income	<i>10</i> 9,439	15,671
Exchange differences on translation of the Company's financial statements	24,504	33,560
	38,154	42,384
Total comprehensive income for the period	73,217	82,716
Attributable to:		
Owners of the Company	70,218	89,530
Non-controlling interests	2,999	(6,814)
Total comprehensive income for the period	73,217	82,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in Renminbi)

		At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Non-current assets			
Investment properties		262,754	266,398
Property, plant and equipment	8	559,660	551,137
		822,414	817,535
Intangible assets		2,481	2,727
Goodwill		53,428	52,611
Interests in associates	9	164,263	137,386
Other investments	10	413,828	368,582
Prepayment and deposits	12	13,942	46,707
Deferred tax assets		867	3,259
		1,471,223	1,428,807
Current assets			
Inventories	11	226,237	258,115
Trade and other receivables	12	657,745	558,072
Loans to associates		34,613	33,789
Other investments	10	11,534	10,654
Current tax recoverable		469	469
Deposits with banks	13	194,292	318,437
Cash and cash equivalents	14	1,060,434	990,815
		2,185,324	2,170,351
Current liabilities			
Trade and other payables and contract liabilities	15	204,197	226,920
Bank loans	16	83,465	76,653
Lease liabilities		9,263	8,313
Current taxation		3,341	2,846
		300,266	314,732
Net current assets		1,885,058	1,855,619
Total assets less current liabilities		3,356,281	3,284,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2024 – unaudited*

(Expressed in Renminbi)

		At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
	<i>Note</i>		
Non-current liabilities			
Bank loans	<i>16</i>	13,069	17,483
Lease liabilities		19,457	21,309
		<u>32,526</u>	<u>38,792</u>
NET ASSETS		<u>3,323,755</u>	<u>3,245,634</u>
CAPITAL AND RESERVES	<i>17</i>		
Share capital		21,254	21,254
Reserves		3,235,000	3,164,782
Total equity attributable to equity shareholders of the Company		3,256,254	3,186,036
Non-controlling interests		67,501	59,598
TOTAL EQUITY		<u>3,323,755</u>	<u>3,245,634</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Operating activities			
Cash (used in)/generated from operations		(77,190)	135,358
Income tax paid		(3,230)	(1,008)
		<u> </u>	<u> </u>
Net cash (used in)/generated from operating activities		<u>(80,420)</u>	<u>134,350</u>
Investing activities			
Payment for the purchase of property, plant and equipment		(35,083)	(30,136)
Decrease in deposits with banks		130,591	124,436
Proceeds from repayment of advances to third parties		19,466	59,296
Payment for purchase of other investments		(31,596)	(106,812)
Proceeds from sale of other investments		–	28,112
Dividends received from an associate		–	14,124
Other cash flows arising from investing activities		24,651	(18,114)
		<u> </u>	<u> </u>
Net cash generated from investing activities		<u>108,029</u>	<u>70,906</u>
Financing activities			
Capital element of lease rentals paid		(4,691)	(6,336)
Interest element of lease rentals paid		(327)	(180)
Other cash flows arising from financing activities		5,819	26,909
		<u> </u>	<u> </u>
Net cash generated from financing activities		<u>801</u>	<u>20,393</u>
Net increase in cash and cash equivalents		28,410	225,649
Cash and cash equivalents at 1 January	14	990,815	1,050,187
Effect of foreign exchange rates changes		41,209	56,018
		<u> </u>	<u> </u>
Cash and cash equivalents at 30 June	14	<u>1,060,434</u>	<u>1,331,854</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial report 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 (“the Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 21 August 2024.

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2023 are available from the Company’s registered office. The auditor had expressed an unqualified opinion on those financial statements in their report dated 20 March 2024.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both business lines (products and services) and geography (mainly in Mainland China and Hong Kong). In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purpose of resource allocation and performance assessment, and given the importance of trading division to the Group, the Group’s businesses are separated into the following two reportable segments on a geographical and products and services basis, as the divisional managers for each of these regions report directly to the senior executive team. All segments primarily derive their trading revenue through their own network. No operating segments have been aggregated to form the following reportable segments.

The Group has identified the following reportable segments:

- High-end consuming accessories
- Manufacturing of watch accessories and shop design and decoration services business;
- Commodity trading
- Trading of iron ore and coal.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Revenue from manufacturing of watch accessories	165,769	183,070
– Revenue from provision of shop design and decoration service	186,570	133,922
– Revenue from commodity trading	228,022	358,629
	<u>580,361</u>	<u>675,621</u>
Revenue from other sources		
– Gross rentals from investment properties	<u>1,441</u>	<u>1,484</u>
	<u>581,802</u>	<u>677,105</u>
Disaggregated by geographical location of customers		
– Mainland China	500,220	490,568
– Hong Kong	81,582	186,537
	<u>581,802</u>	<u>677,105</u>

Revenue from sales of watch accessories and commodity trading is recognised to be the point in time.

Revenue from provision of shop design and decoration service is recognised progressively over time.

The geographical analysis above includes property rental income from external customers in Mainland China for the six months ended 30 June 2024 of RMB1,441,000 (six months ended 30 June 2023: RMB1,484,000).

(b) Information about profit or loss and assets

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the profit or loss and assets attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "gross profit".

Segment assets represent inventories only, without eliminating the unrealised inter-segment profits.

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

	High-end consuming accessories		Commodity trading		Total	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
For the six months ended 30 June						
Revenue from external customers	352,339	316,992	228,022	358,629	580,361	675,621
Inter-segment revenue	87,672	84,300	-	-	87,672	84,300
Reportable segment revenue	<u>440,011</u>	<u>401,292</u>	<u>228,022</u>	<u>358,629</u>	<u>668,033</u>	<u>759,921</u>
Reportable segment gross profit	<u>68,915</u>	<u>53,789</u>	<u>26,448</u>	<u>50,321</u>	<u>95,363</u>	<u>104,110</u>

	High-end consuming accessories		Commodity trading		Total	
	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Reportable segment assets	<u>73,327</u>	<u>84,629</u>	<u>152,910</u>	<u>173,486</u>	<u>226,237</u>	<u>258,115</u>

(c) **Reconciliations of reportable segment profit or loss**

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue		
Total revenue for reportable segments	668,033	759,921
Elimination of inter-segment revenue	(87,672)	(84,300)
Consolidated revenue	580,361	675,621
Profit		
Total gross profit for reportable segments	95,363	104,110
Other revenue	33,322	23,346
Other net loss	(25,686)	(24,840)
Distribution costs	(32,093)	(32,625)
Administrative expenses	(88,126)	(84,879)
Share of profits of associates	26,514	10,082
Finance costs	(2,719)	(2,364)
Consolidated profit/(loss) before taxation	6,575	(7,170)

4. OTHER REVENUE AND OTHER NET LOSS

(a) **Other revenue**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest income	20,690	14,836
Rental income	1,441	1,484
Government grants	552	1,413
Dividend income from other investments	3,955	3,830
Others	6,684	1,783
	33,322	23,346

(b) Other net loss

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Net foreign exchange loss	(26,269)	(21,772)
Net loss on disposal of property, plant and equipment	(26)	(2,921)
Fair value gain/(loss) on financial assets held for trading	609	(147)
	<u>(25,686)</u>	<u>(24,840)</u>

5. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on bank loans	2,036	1,767
Interest on lease liabilities	327	180
Bank charges	356	417
	<u>2,719</u>	<u>2,364</u>

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Amortisation	257	317
Depreciation		
– Investment properties and property, plant and equipment	28,177	16,952
– Right-of-use assets	4,638	5,539
Expenses relating to short-term leases and leases of low-value assets	1,012	1,159
	<u>1,012</u>	<u>1,159</u>

6. INCOME TAX

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current tax		
Hong Kong Profits Tax	26	864
Mainland China Income Tax	3,674	765
	<u>3,700</u>	<u>1,629</u>
Deferred taxation	<u>2,376</u>	<u>–</u>
	<u><u>6,076</u></u>	<u><u>1,629</u></u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2023: 16.5%) to the six months ended 30 June 2024, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2023.

Taxation for other overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries or jurisdictions.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB2,504,000 (six months ended 30 June 2023: loss attributable to equity shareholders of the Company of RMB1,985,000) and the weighted average of 4,404,018,959 ordinary shares (six months ended 30 June 2023: 4,404,018,959 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

There were no dilutive potential ordinary shares during the period ended 30 June 2024 and 2023, and therefore, diluted loss per share are the same as basic loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of lease agreements for office use, and therefore recognised the additions to right-of-use assets of RMB3,578,000 (six months ended 30 June 2023: RMB770,000).

(b) Acquisitions of owned assets

During the six months ended 30 June 2024, the Group mainly acquired items of plant and machinery with a cost of RMB35,083,000 (six months ended 30 June 2023: RMB30,136,000).

9. INTERESTS IN ASSOCIATES

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Unlisted corporate entities		
Share of net assets	<u>164,263</u>	<u>137,386</u>

10. OTHER INVESTMENTS

(a) Equity investments at fair value through other comprehensive income

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Listed securities	193,978	183,434
– Unlisted fund investments	<u>219,850</u>	<u>185,148</u>
	<u>413,828</u>	<u>368,582</u>

Notes:

- (i) The value of the above equity securities and fund investments was individually insignificant (individually less than 5% of the Group's total assets).

(b) Equity investments at fair value through profit or loss

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Equity securities, at fair value		
– Listed securities	<u>11,534</u>	<u>10,654</u>

11. INVENTORIES

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Raw materials	22,806	25,982
Work in progress	37,579	27,589
Finished goods and merchandise	<u>165,852</u>	<u>204,544</u>
	<u>226,237</u>	<u>258,115</u>

12. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Current assets		
Within 3 months	190,772	189,975
Over 3 months but less than 12 months	248,647	136,997
Over 12 months	4,435	11,568
Trade receivables, net of loss allowance	443,854	338,540
Other receivables, net of loss allowance	92,105	124,562
PRC value added tax receivables	15,961	17,565
Receivables from government authority	5,153	13,153
Interest receivables	10,881	6,650
Dividends receivable from an associate	4,050	4,050
	572,004	504,520
Prepayment and deposits	85,741	53,552
	657,745	558,072
Non-current assets		
Prepayment and deposits	13,942	46,707
	671,687	604,779

Trade receivables are due within 30 to 360 days from the date of billing. All of the trade and other receivables in current assets are expected to be recovered within one year.

13. DEPOSITS WITH BANKS

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Deposits with original maturities over three months	194,292	318,437

14. CASH AND CASH EQUIVALENTS

As at 30 June 2024 and 31 December 2023, all of the Group's cash and cash equivalents in the consolidated statement of financial position represent cash at bank and cash in hand.

15. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Within 1 month	69,087	86,562
Over 1 month but less than 3 months	43,230	53,228
Over 3 months but less than 12 months	–	115
Over 1 year	4,097	4,675
Trade payables	116,414	144,580
Contract liabilities	21,838	20,874
Other payables and accrued expenses	65,945	61,466
	<u>204,197</u>	<u>226,920</u>

16. BANK LOANS

	At 30 June 2024 (Unaudited) RMB'000	At 31 December 2023 (Audited) RMB'000
Bank loans within one year or on demand – Secured	83,465	76,653
Bank loans after one year – Secured	13,069	17,483
	<u>96,534</u>	<u>94,136</u>

At 30 June 2024, the banking facilities of certain subsidiaries were secured over their land and buildings with an aggregate carrying value of RMB174,152,000 (31 December 2023: RMB179,902,000).

17. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

(b) Shares granted under share award scheme

Pursuant to a share award scheme approved by the Board in 2015, the Company may purchase its own shares and grant such shares to certain employees or consultants of the Group.

During the period ended 30 June 2024 and 2023, no shares were granted under shares award scheme.

18. COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report

	At 30 June 2024 (Unaudited) <i>RMB'000</i>	At 31 December 2023 (Audited) <i>RMB'000</i>
Contracted for	<u>22,645</u>	<u>39,598</u>

19. MATERIAL RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Shop design and decoration services provided to Primetime Group	11,257	12,719
Payment made on behalf of the subsidiaries by Primetime Group	–	37
Goods and services purchased from associates	38,660	34,692
Rental and electricity income from associates	<u>28</u>	<u>27</u>

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, the global economy was still confronted with multiple pressures such as geopolitical conflicts and inflation risks. China's economic growth slowed down, while overall operation remained stable and the trend of stabilization continued. In the face of a relatively complex operating environment, under the principle of "sound, steady and long-term operations", the Group adapted its business to the market conditions and strived for the survival and health of the enterprise to safeguard the interests of its shareholders.

I. Financial Review

Revenue

For the six months ended 30 June 2024, the Group recorded revenue of RMB580,361,000 (six months ended 30 June 2023: RMB675,621,000), representing a year-on-year decrease of 14.1%; high-end consuming accessories business recorded revenue of RMB352,339,000 (six months ended 30 June 2023: RMB316,992,000), representing a year-on-year increase of 11.2%; commodity trading revenue amounted to RMB228,022,000 (six months ended 30 June 2023: RMB358,629,000), representing a year-on-year decrease of 36.4%.

Breakdown of revenue: (for the six months ended 30 June)

	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
High-end Consuming Accessories	352,339	60.7	316,992	46.9
Commodity Trading	228,022	39.3	358,629	53.1
Total	580,361	100	675,621	100

Gross profit and gross profit margin

For the six months ended 30 June 2024, the Group's gross profit amounted to approximately RMB95,363,000 (six months ended 30 June 2023: RMB104,110,000), representing a year-on-year decrease of 8.4%. Gross profit margin was approximately 16.4% (six months ended 30 June 2023: 15.4%), representing a year-on-year increase of 1 percentage point, which was mainly attributable to factors such as the decline in the cost of sales of high-end consuming accessories and fluctuations in commodity trading prices.

Profit for the period

During the period under review, the Group recorded a profit of RMB499,000 (six months ended 30 June 2023: loss of RMB8,799,000), representing a year-on-year increase of 105.7%. Loss attributable to equity shareholders amounted to RMB2,504,000 (six months ended 30 June 2023: loss of RMB1,985,000), representing a year-on-year increase of 26.1%. The increase in loss was mainly attributable to the increase in depreciation expenses on property, plant and equipment and foreign exchange losses incurred by the operating units as a result of exchange rate fluctuations.

Financial status and net debt to equity ratio

The Group maintained a sound and stable financial position. As at 30 June 2024, the Group had total equity of RMB3,323,755,000 (at 31 December 2023: RMB3,245,634,000) and net current assets of RMB1,885,058,000 (at 31 December 2023: RMB1,855,619,000), with cash and cash equivalents and deposits with banks of RMB1,254,726,000 (at 31 December 2023: RMB1,309,252,000) and total bank loans of RMB96,534,000 (at 31 December 2023: RMB94,136,000). As at 30 June 2024, the bank loans bore interests at floating rates of 2.2% to 3.7% (at 31 December 2023: 2.3% to 3.7%). As at 30 June 2024, approximately 86% (at 31 December 2023: 80%) and 14% (at 31 December 2023: 20%) of bank loans were denominated in RMB and NTD, respectively. The maturity profile of bank loans is set out in the notes to the accompanying financial statements. During the period under review, there was no sign of significant changes in the Group's demand for loans in a particular quarter.

As at 30 June 2024, the Group's total debt was RMB96,534,000 (at 31 December 2023: RMB94,136,000). The net debt to equity ratio of the Group was zero (at 31 December 2023: zero). Net debt is defined as total debt (which includes total interest-bearing borrowings) less cash and cash equivalents and deposits with banks. It established a solid foundation for the further business expansion of the Group.

The Group adopts prudent treasury policies in financial and cash management, manages bank credit availability and monitors risks of credit cost centrally in various ways. The Group maintains a good partnership with a number of banks which provide financing facilities, and reviews its funding liquidity and financing needs regularly.

Foreign exchange risk

The Group's transactions are mainly denominated in HKD, RMB and USD. Therefore, the Group is exposed to foreign exchange risks. During the period under review, the Group has been actively monitoring its foreign exchange risk and has adopted a foreign exchange hedging policy for significant foreign exchange risks.

Pledge of asset

As at 30 June 2024, the Group had land and buildings equivalent to RMB174,152,000 (at 31 December 2023: RMB179,902,000) pledged as security for mortgage.

Contingent liabilities

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

Current assets

As at 30 June 2024, the current assets of the Group amounted to approximately RMB2,185,324,000 (at 31 December 2023: RMB2,170,351,000), comprising inventories of approximately RMB226,237,000 (at 31 December 2023: RMB258,115,000), trade and other receivables of approximately RMB657,745,000 (at 31 December 2023: RMB558,072,000), loans to associates of approximately RMB34,613,000 (at 31 December 2023: RMB33,789,000), cash and cash equivalents and deposits with banks of approximately RMB1,254,726,000 (at 31 December 2023: RMB1,309,252,000).

As at 30 June 2024, cash and cash equivalents of approximately 22% (at 31 December 2023: 19%), 54% (at 31 December 2023: 49%) and 24% (at 31 December 2023: 32%) were denominated in RMB, HKD and other currencies, respectively.

Current liabilities

As at 30 June 2024, the current liabilities of the Group amounted to approximately RMB300,266,000 (at 31 December 2023: RMB314,732,000), comprising bank loans of approximately RMB83,465,000 (at 31 December 2023: RMB76,653,000), trade and other payables of approximately RMB204,197,000 (at 31 December 2023: RMB226,920,000), lease liabilities of approximately RMB9,263,000 (at 31 December 2023: RMB8,313,000), and current tax payable of approximately RMB3,341,000 (at 31 December 2023: RMB2,846,000).

Capital structure

The Company's capital structure is composed of issued share capital, reserves and accumulated profits. As at 30 June 2024, the issued share capital of the Company was 4,404,018,959 shares (at 31 December 2023: 4,404,018,959 shares) with reserves and accumulated profits of RMB3,235,000,000 (at 31 December 2023: RMB3,164,782,000) in total.

Significant investment, material acquisition and disposal

The Company had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period under review, except as disclosed in the notes to the financial statements.

Except as disclosed in the notes to the financial statements, the Company did not hold other significant investments during the period under review.

II. Business Review

During the period under review, the Group's business was primarily focused on manufacturing high-end consuming accessories, building up high-end consuming service platforms, international commodity trading and its related supply chain services.

High-end Consuming Accessories Service

The Group has a relatively mature industrial chain for high-end consuming accessories manufacturing, mainly covering the manufacturing of watches, jewellery, cosmetics and accessories and packaging products, commercial space design, production and decoration. The companies are located in Suzhou, Guangzhou and Dongguan.

The two companies, "Guangzhou Artdeco" and "Dongguan Born Talent", mainly produce high-end watch boxes and watch accessories for various types of watches. After years of development, we have achieved great success in all aspects. We have transitioned from low-end products to high-end products, from simple processing to independent innovative designs, and from purely handmade to automated.

"Suzhou Henge" is a commercial space integration service enterprise engaged in design, production, on-site installation and after-sales service. Products include the design and decoration for each type of counters, props and various stores.

During the period under review, in regards of high-end consuming accessories business, the Group took various measures to cope with complicated operating environment. The Group laid a solid foundation to maintain stability, sought development driven by innovation, continuously broadened its business modes, expanded new customers and developed new products. While enhancing the level of technological innovation and accelerating the pace of mechanization, the Group standardized and strengthened its informational and automatic management, and strived to achieve integrated management of pre-prevention, mid-inspection and post-correction. All measures mentioned above achieved remarkable results. During the period under review, the high-end consuming accessories business achieved remarkable results, with better growth in both revenue and profit compared to the same period last year.

After years of development, all companies under the Group have received the ISO9000 quality management certification, which provides strong support for the manufacturing of high-quality products; the companies have earned a solid reputation in their respective fields, forming tight relationships, mutual trust and interest sharing with brand suppliers. The Group has also established a wide customer base covering China, Switzerland, the United States and other countries in the Asia Pacific region. The application of advanced information management systems, such as the industry-leading Enterprise Resource Planning (ERP), Building Information Modeling (BIM), Manufacturing Execution System (MES), provides practical guarantee for efficient and compliant corporate operation.

In the second half of the year, the Group will adapt to market changes by further strengthening its industrial management and pursue technical R&D and innovation with a focus on driving growth by innovation. The Group will continue seeking opportunities to conduct vertical and horizontal industry integration of products, so as to further improve our leadership in the industry. The Group will focus on expanding the development in manufacturing of its high-end consuming accessories, and engage in a deeper cooperation with brands and international counterparts in various ways. Additionally, the Group will continue to enhance its standard of its integrated services for commercial space in Mainland China and international markets. The Group will also embark on a limited number of diversified business activities including the manufacturing of high-end consuming accessories in various high-end lifestyle products such as jewellery, cosmetics and mobile phones, and to expand its commercial space beautification services to include living space beautification services, thus becoming an indispensable independent segment in the industry ecological chain of high-end consuming accessories.

International Trading

During the period under review, the Group continued to carry out the international commodity trading business. During the period, the business mainly imported iron ore, thermal coal and coking coal to Mainland China. During the period under review, the sales and profit of the international commodity trading business decreased as compared to the same period last year as a result of decline in the selling price of ore sand and the lower purchasing intention of customers, but still maintained a positive profitability. During the period, the Group planned to build a bulk cargo transshipment logistics park in Mexico, which integrates customs clearance, import, transportation and warehousing, and is dedicated to serving large-scale enterprises in China.

In the second half of the year, the Group will continue to monitor market conditions as it prudently pursues international commodity trading activities and explores new profit models while also pursuing its future development and laying a solid foundation for the Group's sustainable development.

International Shipping

During the period under review, the Group's international shipping business mainly focused on the global maritime transportation of dry bulk cargo, such as coal, iron ore, vanadium aluminum ore, food and industrial salt. Clients served include world-renowned mines, China's large-scale state-owned enterprises and listed companies.

During the period under review, the global dry bulk shipping market performed strongly. The Group seized the opportunities of the rising market to vigorously expand its business by developing new customers and signing long voyage transportation contracts with its customers to lock in long-term profits for the Company. During the period, the Group successfully developed a series of well-known large-scale mining, power and steel enterprises at home and abroad, such as CHN Energy Investment Group, Yancoal Australia Limited, Tianyuan Manganese Industry Group, Steel Authority of India Limited, and ArcelorMittal Group. In addition to engaging in the traditional transportation routes, the Group opened up its first bauxite transportation route between Turkey and China and signed long-term transportation agreements with renowned companies in Turkey, which yielded relatively satisfactory returns. On this basis, the Group's shipping business achieved good results in terms of revenue and profit in the first half of the year.

China is the world's major importer of bulk raw materials. With the changes in the international financial markets and geopolitical situation, it is expected that the shipping market's prospectus will continue to improve. Additionally, the dry bulk shipping market is expected to continue to rise in the first half of the year. In the second half of the year, The Group will continue its expansion in China's shipping market and provide existing customers with better-quality shipping service. Simultaneously, the Group is maintaining its prudent and stable operating strategy as it looks to the international market to broaden its customer base, new cargoes and new routes to enhance the Company's vessel capacity and competitiveness, while maintaining stringent cost control to achieve healthy and stable profit growth and positively contribute to the Group's further development and contribute to the Group's business transformation.

III. Social Responsibility and Human Resources

The Group has always been advocating the corporate spirit of "mutual respect, shouldering responsibility, close collaboration and ongoing innovations" under the "people-oriented" core value, which serves as the solid cornerstone of our corporate management and social responsibility.

As at 30 June 2024, the Group had a total of 1,409 employees in Mainland China, Hong Kong, Macau, Taiwan and Malaysia (30 June 2023: 1,453 employees), and the total employee cost for the period under review was RMB110,651,000 (six months ended 30 June 2023: RMB102,981,000). Having always been committed to developing and adding value to human resources, the Group implements a standard recruitment system and allocates resources in an organized manner to various kinds of training for our managers, employees at all levels and front-line staff of our Company, including, among others, the art of management, optimization of technology, brand knowledge and service awareness, with an aim of enhancing knowledge, manufacturing skills and service capabilities of our staff.

The Group offers a competitive remuneration package and various incentives to all employees, and regularly reviews the structure of relevant mechanisms to cope with corporate development needs. Meanwhile, the Group also offers other benefits to its employees, including mandatory provident fund scheme, insurance scheme, housing and meal allowances.

The remuneration policies of the Group are as follows:

- The amount of remuneration for the Directors or the employees is determined according to their relevant experience, responsibilities, workload and years of service in the Group;
- The non-monetary benefits are determined by the Board and are provided in the remuneration package of the Directors or the employees;
- The Directors and the eligible employees may be granted options or awarded shares of the Company as determined by the Board to be part of their remuneration package.

Environmental protection is one of the top priorities for the Group's sustainable development. During the period under review, the branches and subsidiaries of the Group carried out strict quality control procedures on products in full accordance with national quality standards, fully safeguarding the interests of clients and consumers. All branches and subsidiaries were also in strict compliance with national regulations. Reports on pollutants were submitted regularly to environmental authorities as required. All pollutant emissions including sewage and gas have passed inspection and met national standards.

Apart from its efforts in achieving business results and creating brand value, the Group also actively participated in public welfare activities, making due contributions to education, medical care, sports and other public welfare undertakings.

IV. Outlook

At present, the global political situation is still experiencing a high degree of unrest, and the instability and uncertainty of the economic environment are on the rise. While the recovery of the mainland Chinese economy is evident, factors such as the deepening of structural adjustment will continue to pose new challenges. However, the favorable conditions for the economic development of Mainland China outweigh the unfavorable factors, and the trend of stable and long-term development remains unchanged. As the effects from the government's various economic policies and measures materialized, it is believed that China's economic growth momentum will continue to rise.

In the second half of the year, the Group will continue to adhere to the principle of "sound, steady, and long-term operations", and will leverage the stable business environment in Mainland China that "pursues stability while seeking progress" to keep abreast of the market trend and further advance the process of international trade steadily. Additionally, the Group will continuously expand and strengthen the international shipping business, which is closely related to international trade, and strive to become a stronger participant in the international shipping supply chain and achieve new breakthroughs in corporate development.

The Group will continue to adapt to market demands and continuously enhance the service standard of its integrated services for commercial space in both Mainland China and international markets. The Group will also continuously adjust the manufacturing of high-end accessories for renowned watches while embarking on a limited number of diversified business activities including the manufacturing of high-end consuming accessories in high-end lifestyle products such as jewellery, cosmetics and mobile phones, and expanding its commercial space beautification services to include living space beautification services, thus becoming an indispensable independent segment in the industry ecological chain of high-end consuming accessories.

DIVIDEND DISTRIBUTION

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

EQUITY-LINKED AGREEMENTS

Share Award Scheme

On 25 March 2015, a share award scheme was adopted by the Company to recognize the contributions of certain participants to the Company and to attract suitable personnel for the growth and further development of the Company (the “Share Award Scheme”).

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid for a term of ten (10) years commencing on the adoption date. The Board may select any participants, other than any excluded participant, for participation in the Share Award Scheme and determine the award amount for the purchase of the awarded shares to be awarded to the selected participants. Among which:

The “Participant” refers to (i) any senior management employee, including without limitation the director, executive officer and manager-grade employee, whether full time or part time, employed by the Company and/or its subsidiaries from time to time; and (ii) any consultant employed by the Company and/or its subsidiaries;

The “Excluded Participant” refers to (i) at the time of the proposed grant of an award under the Share Award Scheme, any Participant whose service in the Company or its subsidiaries (as the case may be) does not exceed one year from the expiry date of his or her probationary period as stated in his or her employment contract with the Company or its subsidiaries (as the case may be), or (ii) any Participant who is resident in a place where, in the view of the Board or the trustee of the Share Award Scheme (the “Trustee”) (as the case may be), the grant, vesting and/or settlement of the awarded shares pursuant to the terms of the Share Award Scheme at the time of the proposed grant, vesting and/or settlement is not permitted under the laws and regulations of such place, or compliance with the applicable laws and regulations of such place makes it necessary or expedient to exclude such Participant.

The Board is entitled to impose any conditions (including a period of continued service within the Group), as it deems appropriate in its absolute discretion with respect to the entitlement of the selected participants to the awarded shares. No consideration for the awarded shares is needed to be paid by the selected participants to the Company. The Board shall not make any further award of awarded shares which will result in the nominal value of the shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the adoption date. The maximum number of shares which may be awarded to a selected participant under the Share Award Scheme in a 12-month period shall not exceed 0.5% of the issued share capital of the Company as at the adoption date or such number of shares as determined by the Board from time to time.

There is no minimum vesting period for the awarded shares awarded under the Scheme, provided that the Board shall have absolute discretion to determine the vesting conditions for any awarded shares. The Share Award Scheme does not require the grantees who are awarded the awarded shares to accept the awards within a prescribed time period, but in the event that the Company receives a rejection letter within three (3) business days from the date of the offer letter issued for the awarded shares, the Company's offer to the grantees shall for all intents and purposes be deemed withdrawn from the outset as if no offer letter had ever been issued.

If the Company decides to award the awarded shares to the Participant under the Share Award Scheme, the Company will instruct the Trustee to acquire the shares of the Company on the Stock Exchange, and the Trustee will transfer such awarded shares to the Participant upon vesting. No consideration for the awarded shares is needed to be paid by the persons who are awarded the awarded shares to the Company or the Trustee. For the avoidance of doubt, all awarded shares awarded and to be awarded are existing shares of the Company, and no new shares will be issued for the Share Award Scheme.

The Share Award Scheme shall terminate on the tenth anniversary date of the adoption date or such date of early termination (whichever is earlier) as determined by the Board.

During the period under review, the Company did not grant any awarded shares (for the six months ended 30 June 2023: nil). As of the date of this announcement, the total number of shares of the Company available for grant under the Share Award Scheme was 435,437,095 shares, representing approximately 9.89% of the total number of issued shares of the Company.

Share Option Scheme

At the annual general meeting of the Company held on 15 May 2015, the share option scheme was adopted conditionally (the “Share Option Scheme”).

The Share Option Scheme of the Company was adopted to grant options to selected participants including but not limited to directors and employees of the Group as incentives or rewards for their contributions to the Group. Subject to any early termination as may be determined by the Board, the Share Option Scheme shall be valid and effective for a term of ten (10) years commencing on the adoption date.

Under the Share Option Scheme, subject to the discretion of the directors, there is no minimum period for which an option must be held before it can be exercised. Each option has a maximum valid period of ten years after which the option shall lapse. The total number of shares issued and to be issued upon exercise of the options granted to the eligible participants in any 12-month period must not exceed 1% of the shares in issue. The exercise price shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the share option; (ii) the average of the closing prices per shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the share option; and (iii) the nominal value of the shares.

Under the Share Option Scheme, the grantee shall accept the option within ten days from the date of the offer to grant the share option and pay HKD1.00 to the Company as consideration for the grant upon acceptance of the option.

The Company has not granted any share options under the Share Option Scheme during the period under review. As of 30 June 2024, the number of issued shares of the Company was 4,404,018,959 shares, and there was no option outstanding (30 June 2023: nil).

PURCHASE, SALE OR REPURCHASE OF SECURITIES

During the period under review, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (for the six months ended 30 June 2023: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has always been committed to maintaining a high standard of corporate governance to ensure transparency, such that the interests of our shareholders and the cooperative development among our customers, employees and the Group can be safeguarded.

The Company has adopted the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (“CG Code”).

The Directors are of the opinion that the Company complied with the CG Code during the period under review, and the Company has achieved adequate balance of power and been able to guarantee scientific decision-making.

EVENTS AFTER THE PERIOD UNDER REVIEW

Save as disclosed in this announcement, there were no important events affecting the Group since the end of the period under review to the date of this announcement.

ACKNOWLEDGEMENT

The directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our staff for their dedication and contribution to the Group during the period under review.

GENERAL INFORMATION

As at the date of this announcement, the executive directors are Mr. Zhang Yuping (Chairman), Mr. Huang Yonghua and Mr. Lee Shu Chung, Stan; the non-executive director is Mr. Shi Zhongyang, and the independent non-executive directors are Mr. Cai Jianmin, Mr. Liu Xueling and Ms. Qian Weiqing.

By Order of the Board
Zhang Yuping
Chairman

Hong Kong, 21 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Yuping (chairman), Mr. Huang Yonghua and Mr. Lee Shu Chung, Stan; the non-executive director is Mr. Shi Zhongyang; the independent non-executive directors are Mr. Cai Jianmin, Mr. Liu Xueling and Ms. Qian Weiqing.