

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ZJLD Group Inc
珍酒李渡集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6979)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2024, together with the comparative figures for the six months ended June 30, 2023 as below.

FINANCIAL HIGHLIGHTS

The following table sets forth our key financial data for the six months ended June 30, 2024, together with the comparative figures for the corresponding period in 2023 and the change (expressed in percentages).

| | For the six months ended June 30, | | Change (%) |
|---|--|--|-----------------------|
| | 2024 (<i>unaudited</i>) (RMB'000) | 2023 (<i>unaudited</i>) (RMB'000) | |
| Revenue | 4,133,191 | 3,518,957 | 17.5 |
| Gross profit | 2,428,682 | 2,037,148 | 19.2 |
| Profit attributable to equity shareholders of the Company for the period | 751,718 | 1,584,899 | (52.6) |
| Adjusted net profit (non-IFRS measure) ⁽¹⁾ | 1,018,123 | 802,519 | 26.9 |
| Net cash generated from operating activities | 574,886 | 215,960 | 166.2 |
| Earnings per Share | | | |
| – Basic (RMB) ⁽²⁾ | 0.230 | 0.594 | (61.3) |
| – Diluted (RMB) ⁽³⁾ | 0.227 | 0.260 | (12.8) |
| Non-IFRS adjusted earnings per Share | | | |
| – Basic (RMB) ⁽⁴⁾ | 0.311 | 0.301 | 3.5 |
| – Diluted (RMB) ⁽⁵⁾ | 0.308 | 0.271 | 13.3 |

The following table sets forth certain of our key financial ratios for the six months ended June 30, 2024, together with the comparative figures for the corresponding period in 2023.

| | For the six months ended June 30, | |
|--|--|--------------------|
| | 2024 (%) | 2023 (%) |
| Gross profit margin | 58.8 | 57.9 |
| Net profit margin | 18.2 | 45.0 |
| Adjusted net profit margin (non-IFRS measure) ⁽¹⁾ | 24.6 | 22.8 |

Notes:

- (1) For more details on the non-IFRS measures, please see the section headed “Non-IFRS Measures” in this announcement.
- (2) The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue. For more details, please see note 7(a) to the interim financial report set out in this announcement.
- (3) The calculation of diluted earnings per share is based on (a) the profit attributable to ordinary equity shareholders of the Company used in the basic earnings per share calculation, adjusted by the changes in fair value in financial instruments issued to an investor (where applicable); and (b) the weighted average number of ordinary shares (dilutive). For more details, please see note 7(b) to the interim financial report set out in this announcement.
- (4) The calculation of adjusted basic earnings per share is based on the adjusted net profit (non-IFRS measure) and the weighted average number of ordinary shares in issue. For more details, please see the section headed “Non-IFRS Measures” and note 7(a) to the interim financial report set out in this announcement.
- (5) The calculation of adjusted diluted earnings per share is based on the adjusted net profit (non-IFRS measure) and the weighted average number of ordinary shares (dilutive). For more details, please see the section headed “Non-IFRS Measures” and note 7(b) to the interim financial report set out in this announcement.
- (6) Any discrepancies between the change percentages of earnings per share in this table and percentages as calculated based on the above earnings per share figures are due to rounding.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a leading baijiu company in China devoted to offering high-quality baijiu products. We produce and sell sauce aroma, mixed aroma and strong aroma baijiu, with sauce aroma baijiu being our major growth engine. According to Frost & Sullivan, we were the third largest private-owned baijiu company in China, in terms of revenue in 2023.

In the first half of 2024, we continued to capitalize on the growing popularity of sauce aroma baijiu throughout China. Taking advantage of market consolidation in the baijiu industry, we achieved sustainable and quality growth. In particular, we continued to implement a comprehensive strategy that focuses on various key initiatives, including (i) continuing to vigorously implement *Zhen Jiu*'s dual-channel growth strategy, expanding our emerging sales channels and high-end customer base; (ii) enhancing the quality of our distributors and strengthening the market competitiveness of our distribution channels; (iii) elevating our tasting events and distillery tours, creating the iconic and high-end “National Banquet • Zhen” (國之珍宴) tasting event for *Zhen Jiu*, integrating baijiu with culinary offerings to stimulate growth in baijiu consumption; (iv) investing in the expansion of our storage capacity for high-quality baijiu; and (v) further optimizing the allocation of resources across production costs and marketing expenses. All of these efforts have transformed into our revenue growth and improved profitability as compared to the six months ended June 30, 2023.

Our Brands and Products

We have developed a three-tier growth engine. *Zhen Jiu*, our flagship brand featuring premium and above sauce aroma baijiu, is our major growth engine which continuously delivers strong and sizable growth across China, capturing the strong growth potential of the sauce aroma baijiu market. *Li Du*, our second growth engine and a brand featuring premium and above mixed aroma baijiu products, has delivered high growth and is expected to create additional momentum for continued growth as we are determined to further strengthen its brand recognition and nationwide sales network outside of Jiangxi Province. *Xiang Jiao* and *Kai Kou Xiao*, our regional leading brands in the Hunan market, are expected to make steady and ongoing contribution to our long-term sustainable growth. We tactically position these four baijiu brands to target different consumer preferences and geographical regions in China, with our product portfolio covering three aroma profiles (i.e. sauce aroma, mixed aroma and strong aroma) across different price ranges, and an overall focus in the premium and above baijiu market. As the three-tier growth engines are in different phases of development, they complement one another and work in concert to drive our long-term growth.

Zhen Jiu

Our flagship brand, *Zhen Jiu*, primarily targets sauce aroma baijiu lovers who crave premium sauce aroma baijiu products. *Zhen Jiu* focuses on high-quality sauce aroma baijiu products and strategically enhances its presence within the premium and above price range to maintain the brand's steady sales growth. In terms of revenue in 2023, *Zhen Jiu* has become the fourth largest sauce aroma baijiu brand in China, as compared to the fifth in 2022, and achieved the highest year-on-year growth rate amongst the top five sauce aroma baijiu brands, according to Frost & Sullivan. For the six months ended June 30, 2024, *Zhen Jiu* generated approximately 65.4% of our revenue.

Since its launch, *Zhen Jiu* has gradually optimized the recipes of its products to create iconic tastes appealing to consumers across China. We experienced tremendous success in making our popular sauce aroma baijiu products, including Zhen 30 Series and Zhen 15 Series which achieved great market acceptance and international recognition. For example, Zhen 30 Series was awarded (i) the Grand Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2021, (ii) the Double Gold Medal at San Francisco World Spirits Competition in 2022 and (iii) the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2023. Zhen 15 Series was awarded (i) the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles for five times from 2017 to 2022, (ii) two Gold Medals at San Francisco World Spirits Competition in 2022 and (iii) the Silver Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2023. In addition, in recognition of the outstanding sales performance of Zhen 15 Series from 2021 to 2022, it was awarded the Chinese Liquor Marketing Golden Goblet Award – Influential Product Award (中國酒業行銷金爵獎• 影響力產品獎) by the China Wine Business Association (中國酒類流通協會) in 2023. Moreover, *Zhen Jiu* was recognized by the World Brand Lab (世界品牌實驗室) as one of China's 500 Most Valuable Brands for 2024 (《2024 年中國 500 最具價值品牌》) with a brand value of approximately RMB24.8 billion in 2024, and ranked third amongst all the sauce aroma baijiu brands for three consecutive years. *Zhen Jiu*'s brand value has increased by 45% as compared to that of 2022, underscoring its strong brand power.

Zhen Jiu continues to introduce new product series to increase market penetration. Since the first half of 2023, we have launched various new package-free baijiu products (光瓶酒) within the deluxe and premium price ranges, namely *Zhen 15 Series – Gold Medal Commemorative Edition* (珍十五系列•金獎紀念酒), *Zhen 30 Series – Grand Gold Medal Commemorative Edition* (珍三十系列•大金獎紀念酒), *1988 Vintage Baijiu* (1988 年份酒), *2011 Real Vintage Baijiu* (2011 真實年份酒) and *2012 Real Vintage Baijiu* (2012 真實年份酒), as the prominent products of our package-free baijiu product line. In early 2024, we introduced the *2013 Real Vintage Baijiu* (2013 真實年份酒), expanding our package-free baijiu product line within the deluxe price range. Leveraging the enhanced brand power of *Zhen Jiu*, we have strategically expanded our product portfolio to cater for specific consumption scenarios. In late May 2024, we successfully launched “Zhen Banquet” (珍宴), a premium offering designed for banquet occasions.

Li Du

Li Du is a thriving brand featuring premium and above mixed aroma baijiu products, which has gained great success and has significant growth potential. Our *Li Du* products distinguish themselves from the other baijiu products by their signature taste and fine quality, unique immersive marketing approach stemming from the traditional Chinese culture, and premium brand positioning and operation. With these features, *Li Du* has gained a strong foothold in its base market, Jiangxi Province, and is strategically expanding its geographic reach across China to support its incremental and long-term growth. *Li Du* was the fifth largest mixed aroma baijiu brand in China and achieved the highest year-on-year growth rate amongst the top five mixed aroma baijiu brands, in terms of revenue in 2023, according to Frost & Sullivan. For the six months ended June 30, 2024, *Li Du* generated approximately 16.3% of our revenue.

Li Du was established to honor its origin from Lidu, Jiangxi Province, an ancient town in China that is steeped in its long-standing tradition of making baijiu. The baijiu-making techniques of *Li Du* were recognized as an Intangible Cultural Heritage of Jiangxi. In 2002, an ancient baijiu distillery of the Yuan Dynasty (1271 AD to 1368 AD) was discovered during the renovation of our production facility in Lidu, Jiangxi Province and was subsequently named on the list of Major National Historical and Cultural Sites. On April 27, 2023, *Li Du*, together with six other leading baijiu companies, jointly applied for Chinese baijiu to be included in China's tentative list of world cultural heritage. *Li Du* achieved notable recognition in the first half of 2024, as it was named among the Eighth Batch of National Key Leading Enterprises in Agricultural Industrialization (第八批國家重點農業產業化龍頭企業) and awarded the title of “Chinese Time-honored Brand” (中華老字號) by the Ministry of Commerce of the People's Republic of China.

Our *Li Du* brand includes a portfolio of selected mixed aroma baijiu products, featuring *Li Du Sorghum 1308* (李渡高粱 1308), *Li Du Sorghum 1955* (李渡高粱 1955) and *Li Du Sorghum 1975* (李渡高粱 1975). *Li Du Sorghum 1955* and *Li Du Sorghum 1308* won the Grand Gold Medals from the Spirits Selection by Concours Mondial de Bruxelles in 2015 and 2019, respectively. *Li Du Sorghum 1975* was awarded the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2023. In February 2024, in order to enhance consumer experience, we have upgraded our main product lines under *Li Du*, which involved the launch of the second generation of *Li Du Sorghum 1955* and the second generation of *Li Du Sorghum 1975*.

During the first half of 2024, while further deeply penetrating *Li Du*'s base market in Jiangxi Province, we continued to selectively and proactively explore *Li Du*'s potential markets outside Jiangxi Province to support a rapid growth of this brand. We have also continued to expand the product matrix to include more premium and mid-range products in an orderly manner, to prepare for the future scaled expansion of the *Li Du* brand.

Xiang Jiao

Xiang Jiao is a regional leading premium baijiu brand in Hunan Province, with strong brand awareness and entrenched channel penetration in local market, which lays the groundwork for the brand's long-term sustainable development. Originally established in 1957, *Xiang Jiao* was synonymous with the rich cultural heritage of baijiu-making in Hunan Province and awarded the title of Hunan Provincial Governor Quality Award in 2012 and China Well-known Trademark in 2012. At *Xiang Jiao*, we offer a wide range of premium and deluxe baijiu products covering strong aroma, sauce aroma and mixed aroma profiles, represented by *Xiang Jiao Long Jiang* (湘窖•龍匠) series, *Xiang Jiao Yao Qing* (湘窖•要情), *Xiang Jiao Red Diamond* (湘窖•紅鑽) and *Xiang Jiao Crystal Diamond* (湘窖•水晶鑽). In particular, *Xiang Jiao* has been undergoing rapid growth on its premium and deluxe sauce aroma baijiu products, mainly *Xiang Jiao Long Jiang* series. In addition, *Xiang Jiao Red Diamond* (湘窖•紅鑽) and *Yao Qing Jiang Jiu* (要情•醬酒) were awarded the Grand Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2018 and 2023, respectively. *Xiang Jiao* generated approximately 10.9% of our revenue for the six months ended June 30, 2024.

Kai Kou Xiao

Recognized as a China Well-known Trademark in 2010, *Kai Kou Xiao* is an established baijiu brand in Hunan with a focus on mid-range markets. We name the brand *Kai Kou Xiao*, or “A Big Smile” in English, because we aspire to spread the joyfulness of life through our baijiu products. We strategically focus on promoting and marketing our *Kai Kou Xiao* products at the local market in Hunan Province, where we have achieved substantial market acceptance, establishing the foundation for the brand's long-term sustainable development. At *Kai Kou Xiao*, we mainly offer strong aroma baijiu products targeting the mid-range market, represented by *Kai Kou Xiao 15* (開口笑十五), *Kai Kou Xiao 9* (開口笑九) and *Kai Kou Xiao 16* (開口笑十六). In 2023, *Kai Kou Xiao 16* was awarded the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles. *Kai Kou Xiao* generated approximately 5.4% of our revenue for the six months ended June 30, 2024.

Product Development

Baijiu production technique is a precious national heritage of China, and we pride ourselves on inheriting the time-honored baijiu-making techniques and reinvigorating them to develop iconic recipes and flavor.

We have a dedicated product development team responsible for product development and package design. As of June 30, 2024, our product development team consisted of 231 employees, among whom a vast majority have a bachelor's degree or above. Our product development team is spearheaded by a technical committee consisting of 61 recognized baijiu experts with extensive industry and product development experiences, among whom nine are national baijiu appraisers, ten hold senior liquor-maker certificates, nine hold senior engineer qualifications and 33 are provincial baijiu adjudicators.

We have also strengthened our product development capabilities by collaborating with several universities and research institutions, such as Jiangnan University, Guizhou University, Tianjin University of Science and Technology and SinoLight Inspection & Certification Co., Ltd. (中輕檢驗認證有限公司). With the technical support from these academic institutions, we have identified certain traceable components in baijiu production for the enhancement of the flavor and functional quality of our baijiu products. Under our collaboration agreements with the third-party institutions, we retain the proprietary right to all jointly developed patents. On December 20, 2023, we entered into a strategic cooperation agreement with Jiangnan University and jointly established the Baijiu Fermentation and Technology Research Center in Zunyi, Guizhou Province, which will provide technical support to us and conduct research on the fermentation process, fermentation microorganisms, flavor perception and other cutting-edge and applied technologies of sauce aroma baijiu. We expect further in-depth collaboration with Jiangnan University on talent exchange and training and scientific research projects. During the first half of 2024, we have entered into a strategic cooperation agreement with Guizhou University and have set up a teaching and research base. Moreover, in collaboration with Guizhou University and a seed company, we will carry out certain tasks associated with the project titled “Quality Standardization and Application Promotion of Special Wheat for Sauce Aroma Daqu” (《醬香大麴專用小麥品質標準化及應用推廣》) as part of the Scientific and Technological Research by Hundred Schools and Thousand Enterprises (百校千企科技攻關揭榜掛帥) initiative of the Department of Education of the Guizhou Province for the year 2024.

Production Facilities

We selectively locate *Zhen Jiu*'s production facilities for sauce aroma baijiu in Guizhou's Zunyi region, a place that is widely considered ideal for making fine sauce aroma baijiu in China, to secure the unique texture and taste of our *Zhen Jiu* products.

As of June 30, 2024, we operated seven production facilities in China. Our production facilities consist of qu-making plants, fermentation and distillation plants, blending plants, and filling and packaging plants, corresponding to the pivotal steps of baijiu-making. These production facilities are equipped with machinery, fermentation pits, barns, as well as bottling and packaging lines and warehouses. Furthermore, our production facilities are equipped with advanced technologies and equipment, including automated production lines, to streamline and optimize the entire production process.

In the past years, we have stored extensive base liquor inventory to support a rapid development of our premium and deluxe baijiu products. Sizable base liquor production capacity and storage of base liquor inventory have always been our strategic focus and core competitiveness. With the continuous expansion of our production capacity, we would be able to (i) reserve sufficient vintage base liquor for the continuous expansion of our premium and deluxe product offerings and strengthen our competitiveness in the premium and above baijiu markets; (ii) provide sufficient high-quality base liquor to support the rising demand of our premium and above baijiu products; and (iii) gradually replace third-party base liquor supplies with our own to improve our gross profit margin.

Sales Channels

We have built a multi-channel sales network that effectively caters to the diverse needs of different customer groups and enables us to continuously expand our reach to consumers. We gained access to our target consumers through a nationwide network of distributors consisting of (i) distribution partners, who primarily purchase our baijiu products from us and subsequently distribute them to sub-distributors, such as supermarkets and tobacco and liquor stores, and end consumers; (ii) store partners, with whom we collaborate closely to establish our single-brand featured stores. These stores not only serve as retail outlets for our baijiu products, but also create immersive and engaging consumer experiences through a range of versatile events; and (iii) retailers, including tobacco and liquor stores, retail partners, restaurants and supermarkets which sell our products directly to end consumers. In addition to these distribution channels, we also have dedicated direct sales force organized by brand and geographic areas who primarily serve end consumers and corporate customers, ensuring a personalized and tailored approach to meet specific requirements of different customer groups. Furthermore, we also operate online stores on various e-commerce platforms in China, leveraging the power of digital platforms to reach a broader audience and provide the market with a convenient access to our products.

Since the fourth quarter of 2023, *Zhen Jiu* has implemented a dual-channel growth strategy. Distributors and consumers in traditional and emerging channels differ in terms of operating model, consumption pattern and development stage. Therefore, *Zhen Jiu* has further devised a clear strategy for its two main business divisions so that each business division can develop traditional and emerging channels, respectively, with a differentiation strategy for product portfolio, pricing mechanism and channel network. Such tailored approach for each type of channel allows us to maximize the effectiveness and efficiency in developing a particular distributor group and accordingly, achieve short-term growth as well as cultivate the high-potential distributor groups in emerging channels for the future growth of *Zhen Jiu*.

During the first half of 2024, we have persevered in the implementation of the dual-channel growth strategy and optimized our organizational structure with a view to improve the effectiveness of this strategy. Looking into the coming months of 2024, we expect to utilize this strategy to capitalize on the business development opportunities in *Zhen Jiu*'s deluxe package-free baijiu products and Zhen 30 Series products, further solidifying our market position in the premium and deluxe market segments.

The following table sets forth the number of distributors involved in each type of distribution channel as at December 31, 2023 and June 30, 2024, respectively.

| | As at June 30, 2024 | As at December 31, 2023 |
|-----------------------|---------------------------|-------------------------------|
| Distribution partners | 3,107 | 2,938 |
| Featured stores | 1,061 | 1,180 |
| Retailers | 3,192 | 3,143 |
| Total | 7,360 | 7,261 |

Digital Infrastructure

We adopted digital infrastructure to foster growth and optimize efficiency. We have established integrated digitalized management system as a core component to support major aspects of our operations. Leveraging the power of data analytics, we are able to make informed business decisions, streamline operations and improve cost effectiveness, which ultimately enhanced our overall profitability.

In terms of our production data, we have developed applications and systems to manage our procurement, brewing and storage with the objective to optimize the entire production process and improve supervision efficiency. For example:

- **Raw Grain Supply Chain System:** In 2023, we launched our raw grain supply chain system which traces and monitors the whole process from grain allocation to procurement and warehousing, significantly improving our procurement efficiency while ensuring the quality of grain procurement.
- **Base Liquor Management System:** We have allocated a unique digital code for each base liquor container used for storage to carry out fine management of base liquor with different vintages and values. We also use 3D scanning technology to establish digital models for the containers for storing long-aged base liquor, so that we can quickly measure and track the volume of stored base liquor with sensors in a more accurate and non-invasive way.

As for our sales digitalization, we have developed proprietary Weixin applets and applications to directly engage with end-consumers, empower front-line employees, collect, and analyze key performance indicators of our business in a real-time manner. Particularly, we have utilized digital operation tools, coupled with a comprehensive set of channel inventory management policies, to optimize our channel inventory levels. For example:

- **Channel Management Platform** is our self-developed integrated service platform, involving a number of Weixin applets and applications implemented throughout the sales process to improve the transparency of the distribution channel and promote sales efficiency. By accessing the Weixin applets and logging into the applications, distributors can efficiently and conveniently manage the entire distribution process and perform logistics tracking, including procurement, inventory management and sales to consumers.
- We developed a QR code system which enables more efficient control and management of distribution channels. A QR code is assigned to each baijiu product and the whole distribution process can be recorded by scanning the QR code. This enables our marketing managers to promptly identify any possible misconduct during the sales process based on checking and analysis of the records for the expected distribution area, which significantly reduces labor costs while strengthening the control and management of distributors. Additionally, we closely inspect and analyze distributors' inventories on-site on both regular and unscheduled bases. This allows us to cross check the authenticity of their orders and inventory levels against the sales records enabled by our QR code system and consequently, monitor the inventory level of our distributors throughout the entire distribution process.

By leveraging digital technology and data analytics, we have transformed our operations and achieved greater efficiency and profitability. This digital transformation also enables us to engage directly with our consumers, empower our employees, and make data-informed decisions that propel our business forward.

Business Updates

We have continued to work on building a consumer-centric distribution network that operates on a flat structure with nationwide coverage. We believe that the empowerment of our distributors and shared benefits throughout our distribution network would be a strong driving force to our expansion. In particular, we promote sell-through and sell-out by (i) making substantial efforts to optimize our existing distributor network, ensuring that we have a group of strong and capable distributors in key markets with an aim to increase our revenue contribution per distributor; (ii) deploying resources to facilitate our distribution partners to expand their sub-distribution network and to accelerate their product turnover, thereby boosting sell-through rate; and (iii) optimizing our resource allocation to invest in promoting purchase and consumption by end consumers, in order to improve sell-out.

During the first half of 2024, we have also continued our efforts in enhancing distributor quality and securing high-quality distribution channels. This approach aims to boost the sales momentum of our various brands among end consumers. During the Reporting Period, we sustained the trend in 2023, with the increased sales-per-distributor serving as the key driver of our revenue growth. This strategic focus lays a solid foundation for the long-term growth of our brands.

Furthermore, to facilitate the implementation of *Zhen Jiu*'s dual-channel growth strategy, we have optimized the organizational structure of our deluxe baijiu division in the second quarter of 2024. This aims to sharpen our focus on expanding our high-end customer base in key markets and provide stronger support for the growth of our package-free baijiu product series.

We also continued to progressively increase our overall production capacity to satisfy market demand by expanding our existing production facilities and constructing new production facilities. Our increased production capacity allowed us to gradually increase our production of base liquor. The following are some of the highlights in relation to the development of our production facilities during the first half of 2024:

- **Zhen Jiu Mao Tai Zhen Shuang Long (茅台鎮雙龍):** During the Reporting Period, we have completed the construction of a qu-making plant and carried out certain auxiliary projects for river and ditch maintenance at this site. As at June 30, 2024, our aggregate annual production capacity of sauce aroma base liquor at this site had reached 3,400 tons. This qu-making plant can produce the qu bricks necessary to support the aggregate annual production capacity of this site.
- **Zhen Jiu Bai Yan Gou (白岩溝):** During the Reporting Period, we have commenced the construction of building facade and outdoor ancillary facilities and buildings of the seven base liquor storerooms at this site. These base liquor storerooms are expected to be completed and be able to put into use in October 2024, with a storage capacity of 38,000 tons.

- **Zhen Jiu Zhao Jia Gou (趙家溝):** During the Reporting Period, we have invested in the construction of five baijiu storage facilities at this site, amongst which, one has already been completed and put into use while the remaining four are expected to be deployed in the second half of 2024 or early 2025. We have also commenced the construction of three distilleries at this site. These three distilleries are expected to be deployed in September 2024, with a designed production capacity of 3,000 tons of base liquor per annum.
- **Li Du Zheng Jia Shan (鄭家山):** During the Reporting Period, we completed the construction of a semi-finished-product warehouse, which had commenced in the second half of 2023, and such warehouse was put into use. The construction of two base liquor storage facilities, which had commenced in the second half of 2023, is expected to be completed in October 2024, increasing our base liquor storage capacity by 10,000 tons. In the first half of 2024, we have also commenced the constructions of two base liquor warehouses and one finished-product warehouse, which are expected to be completed in late 2024. These warehouses will expand our base liquor storage capacity by 20,000 tons and our finished-product storage capacity by 300 tons, respectively. Furthermore, the construction of a packaging plant that began in late 2023 continued during the Reporting Period and is expected to be completed by February 2025.
- **Xiang Jiao Jiang Bei (江北):** In the first half of 2024, we had completed the construction of a new base liquor storage facility at this site which increased our base liquor storage capacity by 4,000 tons. We are planning to commence the construction of an additional base liquor storage facility in the second half of 2024, which is expected to be completed by 2025.

Our continued investment in brand promotion creates a strong brand presence in the baijiu industry which resonates with our target consumers. Following the new brand image advertisement campaign which integrates *Zhen Jiu* and the intangible cultural heritage of Tian-tsui (點翠 or “dotting with kingfishers”) in November 2023, *Zhen Jiu* launched an upgraded series of tasting events and distillery tours in the first half of 2024. This series of upgraded high-end tasting events of *Zhen Jiu*, the “National Banquet • Zhen”, has gained widespread attention and appreciation in the baijiu industry, which plays a key role in enhancing *Zhen Jiu*’s brand power and supporting our continued diffusion and proliferation into the high-end customer groups. The success of the “National Banquet • Zhen” further reinforces our commitment to brand innovation and positions us as a notable example of successful brand in China, setting new standards for customer engagement and brand experience.

We have also taken a step forward and embarked on a journey to spread our brand awareness outside Mainland China. In April 2024, we hosted the seminar titled “The First Anniversary of ZJLD Listing cum 2024 International Development Trend of the National Treasure Li Du” (珍酒李渡上市一周年暨 2024 國寶李渡國際發展趨勢研討會) in Hong Kong and Macau, through which we have brought together our top 50 excellent business partners to discuss the potential to expand *Li Du*’s reach globally. In May 2024, *Li Du Song Banquet* (李渡宋宴) made its way to Kyoto, Japan, marking the brand’s international debut and setting the stage for the “Moveable Feast” (流動的盛宴) to expand beyond the national borders. This event has unveiled *Li Du*’s international expansion, which is not only a showcase of the Song Dynasty aesthetic that we carefully crafted for this brand, but also serves as a crucial platform for fostering exchanges and mutual understanding between the liquor industries of China and Japan.

By investing in these strategic brand promotion initiatives and showcasing our brands' unique identity, we have solidified our brand value and gained recognition within the industry. These achievements reflect our dedication to delivering exceptional products and experiences to our valued customers.

We recognize the importance of ESG principles in today's business landscape. These principles inform our decision-making and help us create positive impacts in our operations and beyond. One key initiative in our ESG practice is the transition from ceramic to glass bottles in our packages, which was driven by the high energy consumption during the firing process of ceramic bottles and the fact that they cannot be recycled. In early 2024, we have launched *2013 Real Vintage Baijiu*, which expanded our package-free product line within the deluxe price range and complemented our 2023 launches. The key features of this package-free product line are the use of biodegradable materials coupled with luxurious minimalist design, catering to business banquets and private collectors. We have replaced 89,000 ceramic bottles during the first half of 2024. These sustainable product strategies have contributed to *Zhen Jiu*'s ESG commitment and resulted in cost reductions for *Zhen Jiu*, setting a positive trajectory for the continued improvements in the latter half of the year and beyond.

In addition to green packaging, the Group has also been promoting sustainable development through a series of environmental initiatives and realized a reduction in production costs. As part of the Group's energy management, we have actively promoted the photovoltaic projects in our distilleries to further increase the proportion of renewable energy in the overall energy consumption. During the first half of 2024, the Group has consumed 820,000 kWh of photovoltaic electricity. In addition, the *Zhen Jiu*, *Li Du* and *Xiang Jiao* distilleries have continuously enhanced energy efficiency according to the requirements of ISO 50001 energy management system. In terms of water stewardship, we have installed a water recycling system for the packaging bottles and the reclaimed water recycle system. The Group achieved a significant decrease of electricity consumption intensity, natural gas consumption intensity and water withdrawal intensity, as compared to the corresponding period in 2023. With the use of renewable energy and continuous improvement in energy efficiency and water use efficiency, the Group has achieved a notable cost saving in water, electricity and natural gas.

During the first half of 2024, we achieved another milestone in our commitment to sustainability and responsible business practices. We received an ESG “AA” rating from Wind, a financial information service provider in China, being the first in the baijiu industry to obtain this rating. This recognition is a testament to our in-depth practice and significant achievements in the field of ESG. Furthermore, *Zhen Jiu* was awarded the title of “National Green Factory” (國家級綠色工廠) by Ministry of Industry and Information Technology of the People’s Republic of China in March 2024.

OUTLOOK

In the coming months in 2024, we are confident in our ability to further strengthen our market position in the sauce aroma baijiu market and premium and above baijiu market which will drive our sustainable growth. Specifically, we will continue to implement a comprehensive strategy that focuses on various key initiatives including (i) launching new products, upgrading some of our key product series and boosting the revenue contribution from baijiu products within premium and above price ranges; (ii) improving the quality of our distributor base and optimizing the structure of our distribution channels; (iii) putting efforts in strengthening our brand power to support our business expansion; and (iv) allocating resources to increase our base liquor storage.

Specifically for *Zhen Jiu*, we will firmly implement its dual-channel growth strategy, adopt various marketing tactics to drive sell-through and sell-out, streamline and enhance our distributor network as well as monitor our distributors’ sales performance and inventory level. As for *Li Du*, we intend to (i) selectively and proactively explore its potential markets outside Jiangxi Province, while further deeply penetrate *Li Du*’s base market in Jiangxi Province, in supporting the rapid development of this brand; and (ii) continue to expand the product matrix to include more premium and mid-range price range products in an orderly manner, to prepare for the future scaled expansion of the *Li Du* brand. As for *Xiang Jiao*, our strategy focuses on continuous brand growth with two key priorities: increasing emphasis on premium sauce aroma products and deepening penetration in distribution channels within Hunan Province.

Looking forward, the Group remains confident in the long-term development of China’s baijiu industry and the Group’s business, driven by the rising popularity of sauce aroma baijiu and the ongoing consolidation within the baijiu market.

FINANCIAL REVIEW

Revenue

We offer a wide selection of baijiu products with diverse aroma profiles, and generate revenue from selling them through a nationwide network of distributors and our direct sales channels. Our revenue increased by 17.5% to RMB4,133.2 million for the six months ended June 30, 2024 (1H2023: RMB3,519.0 million).

Revenue by Baijiu Brand

The following table sets forth a breakdown of our sales volume, average selling price and revenue in absolute amounts and as percentages of the total revenue by baijiu brand, for the six months ended June 30, 2023 and 2024, respectively.

| | For the six months ended June 30, | | | | | | | |
|------------------------|--|--|------------------------------|------------------------|--|--|------------------------------|--------------|
| | 2024 | | | | 2023 | | | |
| Sales Volume (tons) | Revenue (<i>unaudited</i>) (RMB'000) | Average Selling Price ⁽¹⁾ (RMB'000/ton) | % of Total Revenue (%) | Sales Volume (tons) | Revenue (<i>unaudited</i>) (RMB'000) | Average Selling Price ⁽¹⁾ (RMB'000/ton) | % of Total Revenue (%) | |
| <i>Zhen Jiu</i> | 6,932 | 2,702,191 | 389.8 | 65.4 | 6,423 | 2,305,867 | 359.0 | 65.5 |
| <i>Li Du</i> | 1,371 | 674,521 | 492.0 | 16.3 | 1,053 | 489,224 | 464.6 | 13.9 |
| <i>Xiang Jiao</i> | 744 | 452,489 | 608.0 | 10.9 | 726 | 441,990 | 609.2 | 12.6 |
| <i>Kai Kou Xiao</i> | 1,570 | 224,445 | 142.9 | 5.4 | 1,782 | 221,003 | 124.0 | 6.3 |
| Others ⁽²⁾ | 3,548 | 79,545 | 22.4 | 1.9 | 3,269 | 60,873 | 18.6 | 1.7 |
| Total | 14,165 | 4,133,191 | 291.8 | 100.0 | 13,253 | 3,518,957 | 265.5 | 100.0 |

Notes:

- (1) The average selling price is the average revenue per unit which equals to the revenue generated from each brand divided by the corresponding sales volume for such brand in the relevant reporting period.
- (2) Others consist primarily of baijiu products under the brand *Shao Yang*.
- (3) Any discrepancies in this table between the total and sums of amounts are due to rounding.

For the six months ended June 30, 2024, all of our four major baijiu brands had experienced revenue growths.

- Revenue generated from *Zhen Jiu* increased by 17.2% to RMB2,702.2 million for the six months ended June 30, 2024 (1H2023: RMB2,305.9 million). This was primarily driven by the growth of our premium and above price range products, namely, *Zhen 15 Series*, *Zhen 30 Series* and deluxe package-free series. In addition, the revenue growth of *Zhen Jiu* was also contributed by a steady increase in the sales-per-distributor as compared to that of 2023, resulting from the optimization of the quality of distributors and distribution channels.
- Revenue generated from *Li Du* increased by 37.9% to RMB674.5 million for the six months ended June 30, 2024 (1H2023: RMB489.2 million). This was primarily due to rapid growth of three core products, namely, *Li Du Sorghum 1308*, *Li Du Sorghum 1955* and *Li Du Sorghum 1975*, as well as the gradual penetration to the markets outside Jiangxi Province.

- Revenue generated from *Xiang Jiao* increased by 2.4% to RMB452.5 million for the six months ended June 30, 2024 (1H2023: RMB442.0 million). This was primarily due to increased sales of *Xiang Jiao Long Jiang* series.
- Revenue from *Kai Kou Xiao* increased by 1.6% to RMB224.4 million for the six months ended June 30, 2024 (1H2023: RMB221.0 million). This was primarily due to improvement in revenue contribution of higher-priced products.

Revenue by Price Range

The following table sets forth a breakdown of our revenue in absolute amounts and as percentages of the total revenue by price range for the six months ended June 30, 2023 and 2024, respectively.

| | For the six months ended June 30, | | | |
|---------------------|--|---|--|---|
| | 2024 | | 2023 | |
| | Revenue <i>(unaudited)</i> <i>(RMB'000)</i> | % of Total Revenue <i>(%)</i> | Revenue <i>(unaudited)</i> <i>(RMB'000)</i> | % of Total Revenue <i>(%)</i> |
| Deluxe | 1,091,545 | 26.4 | 925,953 | 26.3 |
| Premium | 1,680,606 | 40.7 | 1,267,692 | 36.0 |
| Mid-range and below | 1,361,041 | 32.9 | 1,325,312 | 37.7 |
| Total | <u>4,133,191</u> | <u>100.0</u> | <u>3,518,957</u> | <u>100.0</u> |

Note: Any discrepancies in this table between the total and sums of amounts are due to rounding.

For the six months ended June 30, 2024, we have continued to optimize our product portfolio and expand our premium and deluxe product offerings:

- Revenue generated from deluxe baijiu products increased by 17.9% to RMB1,091.5 million for the six months ended June 30, 2024 (1H2023: RMB926.0 million). This was primarily due to substantial revenue growth in the deluxe products across all three major brands, *Zhen Jiu*, *Li Du* and *Xiang Jiao*, including *Zhen Jiu's* deluxe package-free series, *Zhen 30 Series*, *Li Du Sorghum 1308*, and *Xiang Jiao Long Jiang* series.
- Revenue generated from premium baijiu products increased by 32.6% to RMB1,680.6 million for the six months ended June 30, 2024 (1H2023: RMB1,267.7 million). This was primarily due to significant revenue growth in the premium products represented by *Zhen 15 Series*, *Li Du Sorghum 1955* series and *Li Du Sorghum 1975* series. During the first half of 2024, we strategically attracted some customers within our mid-range product segment to consume our premium products, as part of our customer transformation strategy.
- Revenue from mid-range and below baijiu products increased by 2.7% to RMB1,361.0 million for the six months ended June 30, 2024 (1H2023: RMB1,325.3 million). During the first half of 2024, to optimize our product mix and improve profitability, we have strategically scaled down some of the products under the *Kai Kou Xiao* brand and those sold via online channels, a majority of which are within mid-range and below price range.

Revenue by Sales Channel

The following table sets forth a breakdown of our revenue in absolute amounts and as percentages of the total revenue by sales channels for the six months ended June 30, 2023 and 2024, respectively.

| | For the six months ended June 30, | | | |
|--------------|---|---------------------------------------|---|---------------------------------------|
| | 2024 | | 2023 | |
| | Revenue (<i>unaudited</i>) (RMB'000) | % of Total Revenue (%) | Revenue (<i>unaudited</i>) (RMB'000) | % of Total Revenue (%) |
| Distributors | 3,773,150 | 91.3 | 3,092,934 | 87.9 |
| Direct sales | 360,041 | 8.7 | 426,023 | 12.1 |
| Total | <u>4,133,191</u> | <u>100.0</u> | <u>3,518,957</u> | <u>100.0</u> |

The Group primarily sells baijiu products through a nationwide network of distributors as well as via direct sales team. The revenue generated from distributors increased by 22.0% to RMB3,773.2 million for the six months ended June 30, 2024 (1H2023: RMB3,092.9 million). Meanwhile, the revenue generated from direct sales decreased by 15.5% from RMB426.0 million for the six months ended June 30, 2023 to RMB360.0 million for the six months ended June 30, 2024, primarily due to the decrease in sales via online channels as a result of our product mix optimization initiative that scaled down some low-priced and low-profitability products sold via online channels.

Cost of Sales

Our cost of sales primarily consist of (i) cost of production materials, including cost of raw materials, depreciation and amortization and employee compensation for our personnel responsible for baijiu production, (ii) cost of packaging materials used to produce our baijiu products, (iii) tax and surcharges, primarily consumption tax charged in connection with sales of our baijiu products, and (iv) transportation cost, mainly representing logistics expenses for delivery of our baijiu products.

Our cost of sales increased by 15.0% to RMB1,704.5 million for the six months ended June 30, 2024 (1H2023: RMB1,481.8 million), which is generally in line with our overall sales growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 19.2% to RMB2,428.7 million for the six months ended June 30, 2024 (1H2023: RMB2,037.1 million). Our gross profit margin increased to 58.8% for the six months ended June 30, 2024 (1H2023: 57.9%). The improvement of our overall gross profit margin was attributable to the following initiatives that we have undertaken in the first half of 2024: (i) further increasing the revenue contribution of products in the premium and above price range, (ii) steadily improving the overall gross margin within the mid-range and below price range by strategically reducing the sales of mid-range and below products with low gross margins, (iii) continuing to gradually replace base liquor derived from the collaborated production with third-party distilleries with those produced in our own production which has lower production costs; and (iv) further optimizing other production costs, focusing on areas such as packaging materials and energy usage.

Gross Profit and Gross Profit Margin by Baijiu Brand

The following table sets forth a breakdown of our gross profit in absolute amounts and as percentages of revenue, or gross profit margin, by baijiu brand for the six months ended June 30, 2023 and 2024, respectively.

| | For six months ended June 30, | | | |
|-----------------------|--|----------------------------|--|----------------------------|
| | 2024 | | 2023 | |
| | Gross Profit (Unaudited) (RMB'000) | Gross Profit Margin (%) | Gross Profit (Unaudited) (RMB'000) | Gross Profit Margin (%) |
| <i>Zhen Jiu</i> | 1,600,425 | 59.2 | 1,337,147 | 58.0 |
| <i>Li Du</i> | 450,660 | 66.8 | 336,413 | 68.8 |
| <i>Xiang Jiao</i> | 266,219 | 58.8 | 266,267 | 60.2 |
| <i>Kai Kou Xiao</i> | 102,465 | 45.7 | 93,945 | 42.5 |
| Others ⁽¹⁾ | 8,913 | 11.2 | 3,376 | 5.5 |
| Total | 2,428,682 | 58.8 | 2,037,148 | 57.9 |

Note:

- (1) Others consist primarily of baijiu products under the brand *Shao Yang*.
- Gross profit from *Zhen Jiu* increased by 19.7% to RMB1,600.4 million for the six months ended June 30, 2024 (1H2023: RMB1,337.1 million). Gross profit margin from *Zhen Jiu* improved to 59.2% for the six months ended June 30, 2024 (1H2023: 58.0%). This was primarily due to (i) an increase in the revenue contribution of our products in the premium and above price range; and (ii) our continuous effort in gradually expanding production capacity and replacing base liquor derived from the collaborated production with third-party distilleries with our own production in order to drive down production costs.

- Gross profit from *Li Du* increased by 34.0% to RMB450.7 million for the six months ended June 30, 2024 (1H2023: RMB336.4 million). Gross profit margin from *Li Du* reduced slightly to 66.8% for the six months ended June 30, 2024 (1H2023: 68.8%). This was primarily due to that the revenue contribution by premium products increased more than the revenue contribution of deluxe products, which is in line with our growth strategy to prepare for the future scaled expansion of the *Li Du* brand.
- Gross profit from *Xiang Jiao* remains stable at RMB266.2 million for the six months ended June 30, 2024 (1H2023: RMB266.3 million). Gross profit margin from *Xiang Jiao* reduced slightly to 58.8% for the six months ended June 30, 2024 (1H2023: 60.2%). The marginal decrease of 1.4% was mainly attributable to that the revenue contribution by premium products increased more than the revenue contribution of deluxe products.
- Gross profit from *Kai Kou Xiao* increased by 9.1% to RMB102.5 million for the six months ended June 30, 2024 (1H2023: RMB93.9 million). Gross profit margin from *Kai Kou Xiao* increased to 45.7% for the six months ended June 30, 2024 (1H2023: 42.5%). This was primarily due to the implementation of product mix optimization measures, resulting in a significant decrease in sales volume of certain products with low unit prices and low gross margins in the first half of 2024.

Gross Profit and Gross Profit Margin by Price Range

The following table sets forth a breakdown of our gross profit and gross profit margin by price range for the six months ended June 30, 2023 and 2024, respectively.

| | For six months ended June 30, | | | |
|---------------------|--|----------------------------|--|----------------------------|
| | 2024 | | 2023 | |
| | Gross Profit (Unaudited) (RMB'000) | Gross Profit Margin (%) | Gross Profit (Unaudited) (RMB'000) | Gross Profit Margin (%) |
| Deluxe | 763,133 | 69.9 | 651,299 | 70.3 |
| Premium | 1,064,637 | 63.3 | 827,549 | 65.3 |
| Mid-range and below | 600,912 | 44.2 | 558,300 | 42.1 |
| Total | 2,428,682 | 58.8 | 2,037,148 | 57.9 |

The gross profit margin of products in the deluxe price range remained generally stable as compared to that of the corresponding period in 2023, while the gross profit margin of products in the premium price range decreased slightly, mainly due to the change in the product matrix within the premium price range of our various brands. In addition, the gross profit margin of the mid-range and below price range products increased by 2.1% as a result of our initiative of product mix optimization in order to reduce the sales volume of products with low gross profit margins within this price range.

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) advertisement expenses relating to our advertisements placed across different media channels, such as television and radio, airport and railway stations and online channels, as well as relating to our other online and offline marketing and promotion activities, (ii) employee compensation, including salaries, welfare and bonuses for our sales and distribution personnel, (iii) travel and office expenses incurred by our sales and distribution personnel, and (iv) others, such as depreciation and amortization allocated to selling and distribution activities.

Our selling and distribution expenses increased by 11.6% to RMB902.9 million for the six months ended June 30, 2024 (1H2023: RMB809.3 million). Our selling and distribution expenses as percentage of our revenue decreased to approximately 21.8% for the six months ended June 30, 2024 (1H2023: 23.0%). This decrease was primarily due to (i) the continuous optimization of the efficiency of our sales team during the Reporting Period to enhance per capita revenue and per capita profit contribution, and (ii) the continuous optimization of our investment in marketing activities with a focus on enhancing investment efficiency.

Administrative Expenses

Our administrative expenses consist of (i) employee compensation, including salaries, welfare and bonuses for our administrative staff, (ii) office and maintenance expenses, including business development expenses, repair and maintenance expenses, utilities charges and other office expenses, (iii) depreciation and amortization allocated to administrative activities, (iv) professional service fees, consisting primarily of costs associated with third-party consulting and professional services in our ordinary course of business, and (v) others.

Our administrative expenses increased by 35.4% to RMB274.7 million for the six months ended June 30, 2024 (1H2023: RMB202.9 million). This was primarily due to (i) the expansion of R&D personnel in the first half of 2024 for purposes of enhancing the Group's R&D capability, (ii) the engagement of consulting services in management, information technology and branding in the first half of 2024, and (iii) an increase in depreciation expenses for property, plant and equipment, resulted from the fact that some additional office area at Li Du Zheng Jia Shan has been put into use at the end of 2023.

Other Income

Our other income consists of (i) government grants, representing subsidies and benefits received from local governments in China, (ii) interest income on bank deposits and loans to third parties, (iii) net income or loss on foreign exchange, (iv) net income from sales of by-products and semifinished products, such as lees and packaging materials, which were produced or left over during the course of baijiu production, (v) fees from distributors for breach of contracts, (vi) net gain or loss on disposal of property, plant and equipment, and (vii) others.

Our other income increased significantly to RMB148.4 million for the six months ended June 30, 2024 (1H2023: RMB47.9 million). This was primarily due to (i) the increase in the effective interest rates on monetary assets which resulted in an increase in interest income; and (ii) the increase in government subsidies.

Finance Costs

Our finance costs consist of (i) interest expenses on lease liabilities related to plant and buildings leased for own use and (ii) interest expenses of bank and other borrowings.

Our finance costs increased to RMB3.3 million for the six months ended June 30, 2024 (1H2023: RMB2.5 million).

Income Tax

Our income tax expenses increased by 40.3% to RMB370.0 million for the six months ended June 30, 2024 (1H2023: RMB263.7 million). This was primarily due to the increase in our profit from operations and that certain expenses accrued in the first half of 2024 were not tax deductible under the PRC tax law.

Profit for the Period

Our profit for the period decreased by 52.6% to a net profit of RMB751.7 million for the six months ended June 30, 2024 (1H2023: RMB1,584.9 million). This was mainly due to the effect of certain items such as (i) changes in fair value in financial instruments issued to an investor recognized in 2023, which were one-off and non-cash in nature, and (ii) equity-settled share-based payment expenses incurred in 2024. Please see the section headed “Non-IFRS Measures” below for our operating performance eliminating the impact of these items.

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

The following table reconciles our adjusted net profit (non-IFRS measure) for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS.

| | For the six months ended June 30, | |
|--|--|-----------------------|
| | 2024 | 2023 |
| | <i>(Unaudited)</i> | |
| | <i>(RMB'000, except percentages)</i> | |
| Profit attributable to equity shareholders of the Company for the period | 751,718 | 1,584,899 |
| <i>Add:</i> | | |
| Expenses in connection with the Listing ⁽¹⁾ | – | 32,535 |
| Equity-settled share-based payment expenses ⁽²⁾ | 266,405 | – |
| Changes in fair value in financial instruments issued to an investor ⁽³⁾ | – | (814,915) |
| | <u>–</u> | <u>(814,915)</u> |
| Adjusted net profit (non-IFRS measure) | <u>1,018,123</u> | <u>802,519</u> |
| Adjusted net profit margin (non-IFRS measure) | 24.6% | 22.8% |

Notes:

- (1) Expenses in connection with the Listing relate to the Global Offering of the Company.
- (2) Equity-settled share-based payment expenses relate to the Awards granted on October 25, 2023 pursuant to the Post-IPO Equity Incentive Plan.
- (3) Changes in fair value in financial instruments issued to an investor arise from the changes in the fair value of our Series A Preferred Shares and warrants issued to Zest Holdings II Pte. Ltd. in connection with its pre-IPO investments in the Company. These changes in financial instruments are non-cash in nature. The warrants were terminated in June 2022 and accordingly we no longer recognize any change in the fair value thereof. Upon completion of the Listing, the Series A Preferred Shares have been automatically converted into ordinary shares of the Company, and no profit or loss due to changes in the financial instruments will be recognized. As a result, this adjusted item no longer exists after the Listing.

Our adjusted net profit (non-IFRS measure) increased by 26.9% to RMB1,018.1 million for the six months ended June 30, 2024 (1H2023: RMB802.5 million). Our adjusted net profit margin (non-IFRS measure) increased to 24.6% for the six months ended June 30, 2024 (1H2023: 22.8%).

Liquidity and Capital Resources

During the six months ended June 30, 2024, we had funded our cash requirements principally from cash generated from our business operations, net proceeds from the Global Offering and bank and other borrowings. Our net cash generated from operating activities for the period was approximately RMB574.9 million (1H2023: RMB216.0 million), adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include depreciation expenses, equity-settled share-based payment expenses and interest income and expenses.

As at June 30, 2024, we had cash at bank and on hand of approximately RMB6,111.8 million (as at December 31, 2023: RMB6,053.2 million). As at June 30, 2024, our bank and other borrowings amounted to approximately RMB285.1 million (as at December 31, 2023: RMB36.6 million), including (a) interest-bearing bank loans in the amount of RMB248.5 million comprising (i) revolving credit facilities secured by an intra-group guarantee and (ii) discounted notes secured by pledge of bank acceptance notes, both of which were recognized in the consolidated statements of financial position using the effective interest method; and (b) unsecured and unguaranteed non-interest bearing third-party loans in the amount of RMB36.6 million. All of our borrowings are denominated in RMB.

Gearing Ratio

As at June 30, 2024, gearing ratio (calculated as net debt divided by total capital) was not applicable to our Group due to our net cash surplus position.

Contingent Liabilities

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

Material Acquisitions and Disposals and Significant Investments

The Group did not have any material acquisitions and disposals or significant investments during the six months ended June 30, 2024.

Future Plan for Material Investments or Capital Assets

As at June 30, 2024, save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and further explained in section headed “Use of Proceeds from the Global Offering” below, the Group had no future plan for material investments or capital assets.

Pledge of Assets

Save as disclosed above in the section headed “Liquidity and Capital Resources”, as of June 30, 2024, none of the Group’s assets was subject to any encumbrance, mortgage, lien, charge or pledge.

Capital Expenditure

For the six months ended June 30, 2024, our total capital expenditure was approximately RMB512.4 million (1H2023: RMB564.5 million). Our capital expenditure primarily included purchase of fixed assets and land use rights. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operating activities, our available banking facilities and net proceeds from the Global Offering.

Foreign Exchange Exposure

During the six months ended June 30, 2024, the Group conducted its business in China with the transactions settled in Renminbi. The functional currency of the Group's subsidiaries in the PRC is RMB. There is a natural hedge mechanism in place during the course of its respective business operation and the impact of the foreign exchange risk is low, therefore no financial instruments for hedging purposes are considered necessary. To enhance overall risk management, the Group will continue to keep track of the foreign exchange risk and take prudent measures to mitigate exchange risk, and take appropriate action where necessary.

Employees

As at June 30, 2024, we had 10,956 full-time employees (as at December 31, 2023: 11,008 employees).

The staff costs, including salaries, wages and other benefits, contributions to defined contribution retirement plans as well as equity-settled share-based payment expenses, were approximately RMB989.2 million for the six months ended June 30, 2024. We continue to offer onboarding trainings for all new hires, covering introduction to our brands, products and corporate values, and the overall production standards, sales policies and code of conducts, and design and offer targeted training programs for employees at various positions.

The Post-IPO Equity Incentive Plan was approved by way of shareholders' resolution on April 11, 2023, with effect from the Listing Date. The purpose of the plan is to incentivize and reward eligible participants for their contribution to the Group and to align their interests with that of the Company, so as to encourage them to work towards enhancing the value of the Company. The principal terms of the Post-IPO Equity Incentive Plan are summarized in the section headed "Statutory and General Information – D. Post-IPO Equity Incentive Plan" in Appendix IV to the Prospectus.

As at January 1, 2024, Awards corresponding to 117,292,500 Shares were granted pursuant to the Post-IPO Equity Incentive Plan. During the Reporting Period, (i) no additional Award had been granted or agreed to be granted under the Post-IPO Equity Incentive Plan; and (ii) the Awards corresponding to 470,000 Shares granted to certain former employees of the Group lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan as a result of their voluntary resignation. As such, the Company has granted Awards corresponding to 116,822,500 Shares pursuant to the Post-IPO Equity Incentive Plan as at June 30, 2024, which accounted for 3.45% of the total issued shares of the Company. Amongst the Grantees, three of them are executive Directors of the Company, namely, Mr. Yan Tao, Ms. Zhu Lin and Mr. Luo Yonghong. Save for these three executive Directors, none of the Awards has been granted to any connected person (as defined in the Listing Rules) of the Company. During the six months ended June 30, 2024, none of the Awards granted has been vested.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi (“RMB”))

| | Note | Six months ended 30 June | |
|---|------|--------------------------|--------------------|
| | | 2024 RMB'000 | 2023 RMB'000 |
| Revenue | 4 | 4,133,191 | 3,518,957 |
| Cost of sales | | <u>(1,704,509)</u> | <u>(1,481,809)</u> |
| | 4 | <u>2,428,682</u> | <u>2,037,148</u> |
| Other income | | 148,421 | 47,910 |
| Selling and distribution expenses | | (902,940) | (809,317) |
| Administrative expenses | | (274,719) | (202,921) |
| Equity-settled share-based payment expenses | 5(b) | (266,405) | – |
| Impairment loss on trade receivables | | <u>(8,023)</u> | <u>(4,063)</u> |
| Profit from operations | | 1,125,016 | 1,068,757 |
| Finance costs | 5(a) | (3,281) | (2,547) |
| Expenses in connection with the listing of the Company's shares | | – | (32,535) |
| Changes in fair value in financial instruments issued to an investor | | <u>–</u> | <u>814,915</u> |
| Profit before taxation | 5 | 1,121,735 | 1,848,590 |
| Income tax | 6 | <u>(370,017)</u> | <u>(263,691)</u> |
| Profit attributable to equity shareholders of the Company for the period | | <u>751,718</u> | <u>1,584,899</u> |
| Other comprehensive income for the period (after tax) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| – Exchange differences on translation of financial statements into presentation currency | | <u>56,873</u> | <u>398,589</u> |
| Total comprehensive income attributable to equity shareholders of the Company for the period | | <u>808,591</u> | <u>1,983,488</u> |
| Earnings per share | | | |
| Basic (RMB) | 7 | <u>0.230</u> | <u>0.594</u> |
| Diluted (RMB) | 7 | <u>0.227</u> | <u>0.260</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in RMB)

| | Note | 30 June 2024 RMB'000 | 31 December 2023 RMB'000 |
|--|------|----------------------------|--------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 4,743,419 | 4,512,715 |
| Deferred tax assets | | 178,048 | 182,793 |
| | | <u>4,921,467</u> | <u>4,695,508</u> |
| Current assets | | | |
| Inventories | 9 | 6,488,233 | 6,383,479 |
| Trade and bills receivables | 10 | 331,618 | 243,128 |
| Prepayments, deposits and other receivables | | 205,477 | 202,362 |
| Cash at bank and on hand | 11 | 6,111,790 | 6,053,224 |
| | | <u>13,137,118</u> | <u>12,882,193</u> |
| Current liabilities | | | |
| Trade and bills payables | 12 | 457,486 | 1,070,012 |
| Other payables and accruals | 13 | 3,813,186 | 3,436,396 |
| Bank and other borrowings | | 285,121 | 36,600 |
| Lease liabilities | | 15,433 | 13,827 |
| Current taxation | | 250,452 | 295,978 |
| | | <u>4,821,678</u> | <u>4,852,813</u> |
| Net current assets | | <u>8,315,440</u> | <u>8,029,380</u> |
| Total assets less current liabilities | | <u>13,236,907</u> | <u>12,724,888</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 19,337 | 25,282 |
| Deferred tax liabilities | | 23,511 | 23,852 |
| | | <u>42,848</u> | <u>49,134</u> |
| NET ASSETS | | <u>13,194,059</u> | <u>12,675,754</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 45 | 43 |
| Reserves | | 13,194,014 | 12,675,711 |
| TOTAL EQUITY | | <u>13,194,059</u> | <u>12,675,754</u> |

NOTES

(Expressed in RMB unless otherwise indicated)

1 REVIEW OF RESULTS

The interim results set out in this preliminary announcement do not constitute the Group's condensed interim financial statements for the six months ended June 30, 2024 but are extracted from those financial statements.

The condensed interim financial statements comprise those of ZJLD Group Inc ("the Company") and its subsidiaries (together, the "Group").

The condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed by the Company's Audit Committee with no disagreement.

2 BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands on 24 September 2021. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 April 2023. The Group are principally engaged in the making, production and sales of baijiu products.

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, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board (the "IASB"). 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 3.

The preparation of an interim financial report in conformity with IAS 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 a full set of financial statements prepared in accordance with IFRS Accounting Standards.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have 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.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the making, production and sales of baijiu products.

Further details regarding the Group’s principal activities are disclosed in Note 4(b). Revenue disaggregated by major brands of baijiu products is as follows:

| | Six months ended 30 June | |
|--------------|--------------------------|------------------|
| | 2024 | 2023 |
| | RMB’000 | RMB’000 |
| Zhen Jiu | 2,702,191 | 2,305,867 |
| Li Du | 674,521 | 489,224 |
| Xiang Jiao | 452,489 | 441,990 |
| Kai Kou Xiao | 224,445 | 221,003 |
| Others | 79,545 | 60,873 |
| | <u>4,133,191</u> | <u>3,518,957</u> |

All of the revenue of the Group is generated from sales of baijiu products in the People’s Republic of China (the “PRC”) and is recognised at a point in time during the six months ended 30 June 2024 and 2023.

The Group’s customer base is diversified. During the current period, there is no single customer with whom transactions has exceeded 10% of the Group’s revenue (six months ended 30 June 2023: Nil).

(b) Segment reporting

The Group manages its businesses by brands of baijiu products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Zhen Jiu: this segment engages in the making, production and sales of baijiu products under the brand "Zhen Jiu".
- Li Du: this segment engages in the making, production and sales of baijiu products under the brand "Li Du".
- Xiang Jiao: this segment engages in the making, production and sales of baijiu products under the brand "Xiang Jiao".
- Kai Kou Xiao: this segment engages in the making, production and sales of baijiu products under the brand "Kai Kou Xiao".
- Others: this segment engages in the making, production and sales of baijiu products under the brand "Shao Yang" and other brands.

(i) Segment results

For the purposes of assessing segment performance and allocating resources, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and direct expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred during the current period. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income, selling and distribution expenses, administrative expenses, equity-settled share-based payment expenses, impairment loss on trade receivables, finance costs, expenses in connection with the listing of the Company's shares, changes in fair value in financial instruments issued to an investor, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

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 during the current period is set out below.

| | Six months ended 30 June 2024 | | | | | |
|---------------------------------|-------------------------------|------------------|-----------------------|-----------------|-------------------|------------------|
| | Zhen Jiu RMB'000 | Li Du RMB'000 | Xiang Jiao RMB'000 | Kai Kou | | Total RMB'000 |
| | | | | Xiao RMB'000 | Others RMB'000 | |
| Revenue from external customers | <u>2,702,191</u> | <u>674,521</u> | <u>452,489</u> | <u>224,445</u> | <u>79,545</u> | <u>4,133,191</u> |
| Reportable segment gross profit | <u>1,600,425</u> | <u>450,660</u> | <u>266,219</u> | <u>102,465</u> | <u>8,913</u> | <u>2,428,682</u> |
| | Six months ended 30 June 2023 | | | | | |
| | Zhen Jiu RMB'000 | Li Du RMB'000 | Xiang Jiao RMB'000 | Kai Kou | | Total RMB'000 |
| | | | | Xiao RMB'000 | Others RMB'000 | |
| Revenue from external customers | <u>2,305,867</u> | <u>489,224</u> | <u>441,990</u> | <u>221,003</u> | <u>60,873</u> | <u>3,518,957</u> |
| Reportable segment gross profit | <u>1,337,147</u> | <u>336,413</u> | <u>266,267</u> | <u>93,945</u> | <u>3,376</u> | <u>2,037,148</u> |

(ii) **Reconciliation of reportable segment profit or loss**

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2024 RMB'000 | 2023 RMB'000 |
| Reportable segment gross profit | 2,428,682 | 2,037,148 |
| Other income | 148,421 | 47,910 |
| Selling and distribution expenses | (902,940) | (809,317) |
| Administrative expenses | (274,719) | (202,921) |
| Equity-settled share-based payment expenses | (266,405) | – |
| Impairment loss on trade receivables | (8,023) | (4,063) |
| Finance costs | (3,281) | (2,547) |
| Expenses in connection with the listing of the Company's shares | – | (32,535) |
| Changes in fair value in financial instruments issued to an investor | – | 814,915 |
| Consolidated profit before taxation | <u>1,121,735</u> | <u>1,848,590</u> |

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest expense on bank and other borrowings | 2,228 | 837 |
| Interest expense on lease liabilities | 1,053 | 1,710 |
| | <u>3,281</u> | <u>2,547</u> |

(b) Staff costs

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries, wages and other benefits | 669,856 | 527,453 |
| Contributions to defined contribution retirement plans | 52,889 | 49,038 |
| Equity-settled share-based payment expenses | 266,405 | — |
| | <u>989,150</u> | <u>576,491</u> |

(c) Other items

| | Six months ended 30 June | |
|---------------------------------|--------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Depreciation expenses: | | |
| – property, plant and equipment | 133,373 | 99,957 |
| – right-of-use assets | 27,284 | 24,880 |
| | <u>160,657</u> | <u>124,837</u> |

6 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

| | Six months ended 30 June | |
|-------------------|--------------------------|----------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| Current taxation | 365,613 | 273,694 |
| Deferred taxation | 4,404 | (10,003) |
| | <u>370,017</u> | <u>263,691</u> |

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the current period (six months ended 30 June 2023: Nil).

The subsidiaries of the Group established in the Chinese Mainland are subject to PRC Corporate Income Tax rate at 25% during the current period (six months ended 30 June 2023: 25%).

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2024 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB751,718,000 and the weighted average of 3,271,331,000 ordinary shares in issue during the interim period. Shares issued under the Post-IPO Equity Incentive Plan that held under trust where the related restricted shares are not vested are not considered in the calculation of basic earnings per share.

The basic earnings per share for the six months ended 30 June 2023 was calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB1,584,899,000 and the weighted average of 2,667,957,000 ordinary shares in issue, comprising:

- (i) 2,329,859,750 ordinary shares, taken into account the share subdivision of 46,597,195 ordinary shares in issue on 11 April 2023, as if the above total of 2,329,859,750 ordinary shares were outstanding throughout the six months ended 30 June 2023;
- (ii) 490,699,800 ordinary shares issued on 27 April 2023 by initial public offering; and
- (iii) 450,771,500 preference shares, which were re-designated to ordinary shares on a one-for-one basis upon the completion of the initial public offering of the Company on 27 April 2023.

The calculation of the weighted average number of ordinary shares for the six months ended 30 June 2024 and 2023 are as follows:

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2024 | 2023 |
| | '000 | '000 |
| Issued ordinary shares at 1 January | 3,271,331 | 46,597 |
| Effect of share subdivision | – | 2,283,263 |
| Effect of shares issued by initial public offering | – | 176,218 |
| Effect of re-designation of preference shares | – | 161,879 |
| | <u>3,271,331</u> | <u>2,667,957</u> |

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2024 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB751,718,000 and the weighted average of 3,310,272,000 ordinary shares (dilutive).

The diluted earnings per share for the six months ended 30 June 2023 was calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB769,984,000 and the weighted average of 2,956,849,000 ordinary shares (dilutive).

The calculations of the profit attributable to ordinary equity shareholders of the Company (dilutive) and weighted average number of ordinary shares (diluted) are as follows:

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| Profit for the period attributable to equity shareholders of the Company | 751,718 | 1,584,899 |
| Changes in fair value in financial instruments issued to an investor | — | (814,915) |
| Profit for the period attributable to equity shareholders of the Company (dilutive) | 751,718 | 769,984 |
| | | |
| | Six months ended 30 June | |
| | 2024 | 2023 |
| | '000 | '000 |
| Weighted average number of ordinary shares at 30 June | 3,271,331 | 2,667,957 |
| Effect of dilutive preference shares | — | 288,892 |
| Effect of dilutive shares under the Post-IPO Equity Incentive Plan | 38,941 | — |
| Weighted average number of ordinary shares (diluted) at 30 June | 3,310,272 | 2,956,849 |

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group recognised the additions to right-of-use assets of RMB4,845,000 (six months ended 30 June 2023: RMB121,172,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment (other than right-of-use assets) with a cost of RMB386,920,000 (six months ended 30 June 2023: RMB412,744,000). Items of property, plant and equipment (other than right-of-use assets) with net book value of RMB431,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB50,000), resulting in a loss on disposal of RMB51,000 (six months ended 30 June 2023: RMB50,000).

9 INVENTORIES

| | At 30 June 2024 <i>RMB'000</i> | At 31 December 2023 <i>RMB'000</i> |
|---|--------------------------------------|--|
| Raw materials and packaging materials | 349,234 | 350,434 |
| Work in progress and maturing inventories | 5,485,192 | 5,146,554 |
| Finished goods | 653,807 | 886,491 |
| | <u>6,488,233</u> | <u>6,383,479</u> |

10 TRADE AND BILLS RECEIVABLES

| | At 30 June 2024 <i>RMB'000</i> | At 31 December 2023 <i>RMB'000</i> |
|----------------------|--------------------------------------|--|
| Trade receivables | 235,194 | 90,724 |
| Less: loss allowance | <u>(13,549)</u> | <u>(5,538)</u> |
| | 221,645 | 85,186 |
| Bills receivables | <u>109,973</u> | <u>157,942</u> |
| | <u>331,618</u> | <u>243,128</u> |

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivable, based on the invoice date and net of loss allowance, is as follows:

| | At 30 June 2024 <i>RMB'000</i> | At 31 December 2023 <i>RMB'000</i> |
|--|--------------------------------------|--|
| Less than 3 months | 180,843 | 64,078 |
| More than 3 months but less than 6 months | 29,189 | 10,582 |
| More than 6 months but less than 12 months | <u>11,613</u> | <u>10,526</u> |
| | <u>221,645</u> | <u>85,186</u> |

The balances of bills receivables represent bank acceptance notes received from customers with maturity dates of less than six months at the end of the reporting period. Trade receivables are usually due within 30 days from the date of billing, where credit periods of one month to one year are granted to certain large customers.

11 CASH AND CASH EQUIVALENTS

| | At 30 June 2024 RMB'000 | At 31 December 2023 RMB'000 |
|--|-------------------------------|-----------------------------------|
| Cash at bank and on hand | 1,071,299 | 940,581 |
| Time deposits | 4,999,589 | 4,829,936 |
| Restricted bank deposits (<i>Note (i)</i>) | 40,902 | 282,707 |
| | <hr/> | <hr/> |
| Cash at bank and on hand in the consolidated statement of financial position | 6,111,790 | 6,053,224 |
| Less: restricted bank deposits | (40,902) | (282,707) |
| | <hr/> | <hr/> |
| Cash and cash equivalents in the condensed consolidated cash flow statement | 6,070,888 | 5,770,517 |

Notes:

- (i) The balance is pledged for bills issued by the Group.
- (ii) The Group's operation in the Chinese Mainland conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the Chinese Mainland is subject to the exchange restrictions imposed by the PRC government.

12 TRADE AND BILLS PAYABLES

| | At 30 June 2024 RMB'000 | At 31 December 2023 RMB'000 |
|----------------|-------------------------------|-----------------------------------|
| Trade payables | 321,486 | 569,697 |
| Bills payables | 136,000 | 500,315 |
| | <hr/> | <hr/> |
| | 457,486 | 1,070,012 |

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

| | At 30 June 2024 RMB'000 | At 31 December 2023 RMB'000 |
|---------------|-------------------------------|-----------------------------------|
| Within 1 year | 395,974 | 1,066,712 |
| 1 to 2 years | 59,200 | 3,098 |
| 2 to 3 years | 2,312 | 202 |
| | <hr/> | <hr/> |
| | 457,486 | 1,070,012 |

13 OTHER PAYABLES AND ACCRUALS

| | At 30 June 2024 <i>RMB'000</i> | At 31 December 2023 <i>RMB'000</i> |
|--|--------------------------------------|--|
| Payables for construction and purchases of property, plant and equipment | 255,423 | 380,881 |
| Payables for staff related costs | 351,804 | 293,546 |
| Other taxes payables | 94,102 | 47,157 |
| Dividends/distributions payables | 556,691 | 136,138 |
| Accruals for advertisement expenses | 116,114 | 88,832 |
| Others | 52,437 | 12,937 |
| | <hr/> | <hr/> |
| Financial liabilities measured at amortised cost | 1,426,571 | 959,491 |
| | <hr/> | <hr/> |
| Receipts in advance | 1,789,547 | 1,853,559 |
| Accruals for sales rebates | 597,068 | 623,346 |
| | <hr/> | <hr/> |
| | 2,386,615 | 2,476,905 |
| | <hr/> | <hr/> |
| | 3,813,186 | 3,436,396 |
| | <hr/> | <hr/> |

14 DIVIDENDS

- (i) The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: RMBNil).
- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period:

| | 2024 <i>RMB'000</i> | 2023 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Final dividend in respect of the previous financial year, approved during the following interim period, of HKD0.18 per ordinary share (six months ended 30 June 2023: HKDNil) | 556,691 | – |
| | <hr/> | <hr/> |

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on April 27, 2023. The net proceeds received from the Global Offering (after deduction of the underwriting fees and commissions and other estimated related expenses payable by us in connection with the Global Offering) was approximately HK\$4,990.0 million.

As at June 30, 2024, the net proceeds utilized was approximately HK\$2,043.1 million and the remaining net proceeds was approximately HK\$2,946.9 million. The Company intends to continue to utilize the remaining net proceeds in the future for the purposes as set out in the Prospectus. The table below sets out the planned usage of the net proceeds from the Global Offering and actual usage up to June 30, 2024:

| Use of proceeds | Allocation (%) | Net proceeds | Utilized | Unutilized | Expected timeline for fully utilizing the unutilized amount ⁽¹⁾ |
|---|-------------------|--------------------------------|----------------------------------|----------------------------------|--|
| | | from the Global Offering | amount up to June 30, 2024 | amount as at June 30, 2024 | |
| | | | <i>(HK\$ in million)</i> | | |
| Construction and development of production facilities | 55 | 2,744.5 | 1,340.2 | 1,404.3 | By December 31, 2027 |
| Brand building and market promotion | 20 | 998.0 | 463.9 | 534.1 | By December 31, 2027 |
| Expansion of sales channels | 10 | 499.0 | 145.4 | 353.6 | By December 31, 2027 |
| Business automation and digitalization transformation | 5 | 249.5 | 16.9 | 232.6 | By December 31, 2027 |
| Working capital and general corporate purposes | 10 | 499.0 | 76.7 | 422.3 | By December 31, 2027 |
| Total | 100 | 4,990.0 | 2,043.1 | 2,946.9 | |

Notes:

- (1) The expected timeline for utilization of the unutilized proceeds disclosed above is based on the best estimation from the Board in accordance with latest information as at the date of this announcement.
- (2) Any discrepancies in this table between the total and sums of amounts are due to rounding.

The Group puts in effort in deploying its financial resources effectively to capture and capitalize on the latest market opportunities and trends, with the goal to bring a positive impact on the Group's business and financial performance. Consequently, comparing against the expected timeline of utilization set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, up to June 30, 2024, the actual utilization of net proceeds (i) for brand building, market promotion and expansion of sales channels has been expedited mainly in 2023 in order to capture market opportunities to continue to raise our brand awareness and brand identity; and (ii) for business automation, digitalization transformation has been delayed, as the main portion of payments are only required to be made when we pass the planning and design stage of our digital infrastructure enhancements. Nevertheless, the overall allocation of net proceeds from the Global Offering among the intended uses and the expected timeline for the full utilization of such net proceeds for each intended use remain the same as described in the Prospectus.

OTHER INFORMATION

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2024.

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

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

Events after the Reporting Period

There are no material subsequent events undertaken by the Group after June 30, 2024 and up to the date of this announcement.

Compliance with the Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code and the Company has adopted the code provisions of the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all code provisions as set out in the CG Code during the six months ended June 30, 2024.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code during the six months ended June 30, 2024.

Audit Committee

The Board has established the Audit Committee, which consists of two independent non-executive Directors, namely Mr. Li Dong (chairperson of the Audit Committee) and Ms. Yan Jisheng, and one non-executive Director, namely Mr. Sun Zheng. The Audit Committee has reviewed the unaudited financial results of the Group for the six months ended June 30, 2024 together with the Group's auditor, KPMG, and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

Review of Interim Financial Information

The interim financial report for the six months ended June 30, 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.zjld.com). The interim report for the six months ended June 30, 2024 will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our Shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

| | |
|--------------------|---|
| “Award(s)” | any award granted by the Board (or a committee of the Board) to a selected group of eligible participants pursuant to the Post-IPO Equity Incentive Plan |
| “Audit Committee” | the audit committee of the Board |
| “Board” | the board of Directors of the Company |
| “CG Code” | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules |
| “Company” | ZJLD Group Inc 珍酒李渡集團有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 24, 2021 |
| “Director(s)” | the director(s) of the Company |
| “ESG” | environmental, social and governance |
| “Frost & Sullivan” | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party of the Company |

| | |
|-------------------------------------|---|
| “Global Offering” | has the meaning ascribed to it in the Prospectus |
| “Grantee(s)” | the eligible participant(s) of the Post-IPO Equity Incentive Plan who were granted Awards in accordance with the Post-IPO Equity Incentive Plan on October 25, 2023 |
| “Group”, “we”, “us”, or “our” | the Company and its subsidiaries from time to time |
| “HKD” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “ <i>Kai Kou Xiao</i> ” | <i>Kai Kou Xiao</i> (開口笑), one of the baijiu brands operated by the Group |
| “ <i>Li Du</i> ” | <i>Li Du</i> (李渡), one of the baijiu brands operated by the Group |
| “Listing” | the listing of Shares on the Main Board of the Stock Exchange on April 27, 2023 |
| “Listing Date” | April 27, 2023, being the date on which the Shares were listed on the Main Board of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Main Board” | the Main Board of the Stock Exchange |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules |
| “Post-IPO Equity Incentive Plan” | the equity incentive plan adopted by the Company on April 11, 2023, the principal terms of which are set out in the section headed “Statutory and General Information – D. Post-IPO Equity Incentive Plan” in Appendix IV of the Prospectus |
| “PRC” or “China” | the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan |
| “Prospectus” | the prospectus issued by the Company on April 17, 2023 in connection with the Hong Kong public offering of the Shares |
| “R&D” | research and development |
| “Reporting Period” | the six months from January 1, 2024 to June 30, 2024 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |

| | |
|-----------------------------|--|
| “Series A Preferred Shares” | series A preferred shares of US\$0.0001 each in the share capital of the Company prior to the share subdivision approved by the Shareholders on April 11, 2023 |
| “Share(s)” | ordinary share(s) in the capital of the Company with nominal value of US\$0.000002 each |
| “Shareholder(s)” | holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollar(s), the lawful currency of the United States of America |
| “ <i>Xiang Jiao</i> ” | <i>Xiang Jiao</i> (湘窖), one of the baijiu brands operated by the Group |
| “ <i>Zhen Jiu</i> ” | <i>Zhen Jiu</i> (珍酒), one of the baijiu brands operated by the Group |
| “Zhen 15 Series” | include multiple versions catering to the consumers preference with the standard version Zhen 15 (珍十五) as the core offering |
| “Zhen 30 Series” | include multiple versions catering to the consumers preference with the standard version Zhen 30 (珍三十) as the core offering |
| “%” | per cent. |
| “1H2023” | the six months from January 1, 2023 to June 30, 2023 |

By Order of the Board
ZJLD Group Inc
Mr. WU Xiangdong
Chairman of the Board and Executive Director

Hong Kong, August 21, 2024

As at the date of this announcement, the Board comprises Mr. Wu Xiangdong, Mr. Yan Tao, Ms. Zhu Lin, Mr. Luo Yonghong and Mr. Ng Kwong Chue Paul, as executive Directors; Mr. Sun Zheng as non-executive Director; and Mr. Li Dong, Ms. Yan Jisheng and Mr. Huang Ching-Shuan Johnson, as independent non-executive Directors.