DACHAN FOOD (ASIA) LIMITED
大 成 食 品（亞 洲）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Interim Results for the Six Months ended 30 June 2025

The board of directors (the "Board") of DaChan Food (Asia) Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2025:

Financial Highlights

	Six months ended 30 June		
	2025	**2024**	**% change**
	(unaudited)	(unaudited)	
Turnover (RMB'000)	2,909,838	2,794,444	4.1
Gross profit (RMB'000)	305,500	362,471	-15.7
Gross profit margin (%)	10.5	13.0	
(Loss)/profit attributable to shareholders of the Company (RMB'000)	(35,070)	31,575	-211.1
Basic (loss)/earnings per share (RMB)	(0.035)	0.031	

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2025
(Expressed in RMB'000 unless stated otherwise)

	Note	Six months ended 30 June 2025 (unaudited)	Six months ended 30 June 2024 (unaudited)
Turnover	3	2,909,388	2,794,444
Cost of sales		(2,604,338)	(2,431,973)
Gross profit		305,500	362,471
Other operating income	4	10,360	10,717
Other net (losses)/gains	4	(6,667)	755
Distribution costs		(182,367)	(170,839)
Administrative expenses		(139,143)	(134,838)
(Loss)/profit from operations		(12,317)	68,266
Finance costs	5(a)	(7,416)	(13,008)
Share of profits of equity-accounted investees		1,521	1,394
(Loss)/profit before taxation	5	(18,212)	56,652
Income tax	6	(8,203)	(8,624)
(Loss)/profit for the period		(26,415)	48,028
Attributable to:			
Shareholders of the Company		(35,070)	31,575
Non-controlling interests		8,655	16,453
(Loss)/profit for the period		(26,415)	48,028
(Loss)/earnings per share			
– Basic and diluted (RMB)	7	(0.035)	0.031

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2025
(Expressed in RMB'000 unless stated otherwise)

	Six months ended 30 June	
	2025	**2024**
	(unaudited)	(unaudited)
(Loss)/profit for the period	(26,415)	48,028
Exchange differences on translation of financial statements of overseas subsidiaries	1,623	(1,246)
Total comprehensive income for the period	(24,792)	46,782
Attributable to:		
Shareholders of the Company	(33,330)	30,197
Non-controlling interests	8,538	16,585
Total comprehensive income for the period	(24,792)	46,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2025
(Expressed in RMB'000 unless stated otherwise)

	Note	At 30 June 2025 (unaudited)	At 31 December 2024 (audited)
Non-current assets			
Property, plant and equipment	8	1,754,940	1,785,595
Land use rights		113,026	115,167
Investment property		49,851	51,346
Intangible assets		8,417	8,917
Interests in equity-accounted investees		77,594	76,073
Other financial assets		1,948	1,948
Deferred tax assets		5,591	6,048
Long-term tax recoverable	10	98,179	98,179
Other non-current assets		60,882	66,062
		2,170,428	2,209,335
Current assets			
Inventories		523,400	587,915
Biological assets		107,248	110,990
Trade receivables	9	255,027	261,085
Other receivables and prepayments	10	228,814	238,158
Cash and cash equivalents		402,113	469,747
Restricted deposits		278	2,460
		1,516,880	1,670,355
Current liabilities			
Trade payables	11	387,347	445,873
Other payables	12	332,364	376,365
Contract liabilities		11,517	11,290
Interest-bearing borrowings		301,877	235,629
Lease liabilities		2,159	2,159
Income tax payable		8,904	8,048
		1,044,168	1,079,364
Net current assets		472,712	590,991

	Note	At 30 June 2025 (unaudited)	At 31 December 2024 (audited)
Total assets less current liabilities		2,643,140	2,800,326
Non-current liabilities			
Interest-bearing borrowings		206,357	331,608
Lease liabilities		27,265	28,484
Deferred tax liabilities		10,935	10,543
		244,557	370,635
Net assets		2,398,583	2,429,691
Capital and reserves			
Share capital		97,920	97,920
Reserves		956,538	954,798
Retained profits		1,082,924	1,117,994
Total equity attributable to shareholders of the Company		2,137,382	2,170,712
Non-controlling interests		261,201	258,979
Total equity		2,398,583	2,429,691

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi unless otherwise stated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It has been authorised for issue on 7 August 2025.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

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

2 Changes in accounting policies

(i) Overview

The Group has applied the following amendments to IFRSs for the current accounting period:

- Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 Turnover and segment reporting

The Group manages its businesses by divisions, sorted by different business lines. The Group has presented the following three reportable segments, and no operating segments have been aggregated to form each of the reportable segments.

Processed food:	The processed food segment processes meat (mainly chicken meat) into further processed or instant food (half-cooked/fully cooked) products for production and distribution.
Livestock feeds:	The livestock feeds segment manufactures and distributes complete feed, base mix feed and premix feed for swine, layer, broiler, duck, and breeder poultry under the brands of “Dr. Nupak”, “DaChan” and “Green Knight”.
Meat products:	The meat products segment carries on business of broiler farming, hatching of broiler breeder eggs, contract farming, processing and trading of chilled and frozen chicken meat sold under the brands of “DaChan” and “Sisters’ Kitchen”.

Information about reportable segments

Information regarding the Group’s reportable segments as provided for the chief executive officer for the purposes of resource allocation and segment performance assessment for the six-month periods ended 30 June 2025 and 2024 is set out below.

For the six months ended 30 June

	Processed food		**Livestock feeds**		**Meat products**		**Total**	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Turnover from external customers	1,302,264	1,249,661	826,528	827,086	781,046	717,697	2,909,838	2,794,444
Inter-segment turnover (eliminated at consolidation)	–	–	401,673	434,930	86,564	201,041	488,237	635,971
Total	1,302,264	1,249,661	1,228,201	1,262,016	867,610	918,738	3,398,075	3,430,415
Segment gross profit	227,719	268,719	55,150	69,205	22,631	24,547	305,500	362,471

4 Other operating income and other net losses

	Six months ended 30 June	
	2025	**2024**
	RMB'000	RMB'000
Other operating income		
Interest income	2,688	4,441
Government grants	4,028	2,509
Rental income	3,644	3,767
	10,360	10,717

	Six months ended 30 June	
	2025	**2024**
	RMB'000	RMB'000
Other net (losses)/gains		
(Losses)/gains of foreign exchange	(711)	1,858
Net (losses)/gains on disposal of fixed assets	(2,554)	(1,738)
Others	(3,402)	635
	(6,667)	755

5 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2025	**2024**
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	(7,416)	(13,008)

(b) Other items

	Six months ended 30 June	
	2025	**2024**
	RMB’000	RMB’000
Amortisation of lease prepayments	(2,175)	(2,163)
Depreciation of property, plant and equipment	(90,721)	(78,822)
Net reversal/(provision) of impairment on trade receivables	813	(619)
Net (recognition)/reversal of write-off of inventory	(4,154)	13,111

6 Income tax

	Six months ended 30 June	
	2025	**2024**
	RMB’000	RMB’000
Current tax	(7,354)	(6,404)
Deferred taxation	(849)	(2,220)
	(8,203)	(8,624)

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

(ii) The provision for Hong Kong Profits Tax for the relevant period in the six months ended 30 June 2025 is calculated at 16.5% (six months ended 30 June 2024: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is the qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for such subsidiary was calculated at the same basis in 2024.

(iii) Pursuant to the enterprise income tax laws and regulations of the PRC, the companies established under the Group in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% for the six months ended 30 June 2025 (six months ended 30 June 2024: 25%).

7 Earnings per share

The calculation of basic earnings per share as at 30 June 2025 is based on the loss attributable to ordinary equity holders of the Company of RMB35,070 thousand (six months ended 30 June 2024: profit attributable of RMB31,575 thousand) and the weighted average of 1,016,189,000 ordinary shares (six months ended 30 June 2024: 1,016,189,000 shares) in issue during the reporting period.

The Group had no potentially dilutive ordinary shares which were outstanding during the six months ended 30 June 2025 and 2024. Therefore, there is no difference between the diluted earnings per share and the basic earnings per share.

8 Fixed assets

During the six months ended 30 June 2025, the Group acquired fixed assets at a cost of RMB68,668 thousand (six months ended 30 June 2024: RMB98,284 thousand). Items of fixed assets with net book value of RMB843 thousand (six months ended 30 June 2024: RMB1,145 thousand) were disposed of during the six months ended 30 June 2025, resulting in a loss on disposal of RMB2,554 thousand (six months ended 30 June 2024: a loss of RMB1,738 thousand).

9 Trade receivables

The ageing analysis as of the end of the reporting period is as follows:

	30 June 2025	**31 December 2024**
	RMB'000	RMB'000
Current	233,820	243,896
1-180 days past due	21,951	19,292
181-365 days past due	1,892	2,437
More than 365 days past due	5,616	4,509
Amounts past due	29,459	26,238
Less: allowance for doubtful debts	(8,252)	(9,049)
	255,027	261,085

The Group generally grants a credit period of 30 days to 60 days to its customers.

10 Other receivables and prepayments

	30 June 2025 RMB'000	31 December 2024 RMB'000
VAT recoverable	240,553	245,785
Deposits and prepayments	71,393	77,964
Advances to staff	3,482	3,262
Others	11,565	9,326
	326,993	336,337
Less: non-current VAT recoverable	98,179	98,179
	228,814	238,158

11 Trade payables

An ageing analysis of trade payables is as follows:

	30 June 2025 RMB'000	31 December 2024 RMB'000
Current	200,750	234,542
Less than 30 days past due	143,534	182,338
31-60 days past due	25,729	18,961
61-90 day past due	8,517	4,056
More than 90 days past due	8,817	5,976
Amounts past due	186,597	211,331
	387,347	445,873

12 Other payables

	30 June 2025	31 December 2024
	RMB'000	RMB'000
Sales rebate	17,034	23,859
Salaries, wages, bonuses and other benefits payable	54,925	67,375
Accrued expenses	103,420	100,458
Contract performance deposits	49,667	64,168
Payables for purchase of fixed assets	62,920	66,270
Amounts due to related parties	42,600	42,600
Others	1,798	11,635
	332,364	376,365

13 Dividends

No interim dividend for the six months ended 30 June 2025 is paid (2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2025	**2024**	**% change**
Turnover (RMB'000)	2,909,838	2,794,444	4.1
Gross profit (RMB'000)	305,500	362,471	-15.7
Gross profit margin (%)	10.5	13.0	
(Loss)/profit attributable to shareholders of the Company (RMB'000)	(35,070)	31,575	-211.1

For the first half of 2025, the operating income of the Company amounted to RMB2,909,838 thousand, representing an increase of 4.1% over the corresponding period of last year. Profit attributable to shareholders amounted to a loss of RMB35,070 thousand, indicating a turnaround from profit to loss year-on-year.

Main reasons for the loss: The rapid expansion of the domestic broiler industry led to a surge in chicken meat supply, but the growth momentum of consumer demand was limited. As a result of the imbalance between supply and demand, the price of chicken meat suffered a significant year-on-year drop and fell to its five-year low at one point, which resulted in a relatively heavy loss in the Company's slaughtering business.

Highlight business: The processed food segment showed an outstanding performance, not only reversing the year-on-year decline in the first quarter in the second quarter, but also achieved a year-on-year growth of 4.2% for the first half of the year, serving as a core support for business resilience of the Company.

Cash flow protection: Benefitting from refined cash flow management, the net cash inflow from operating activities for the first half of the year amounted to RMB60 million, providing a solid capital base for the long-term strategic layout, including the production capacity expansion of processed food.

For the first half of 2025, the global economic growth was challenged by multiple uncertainties, including trade conflicts, tariff wars, technical barriers and geopolitical conflicts. As for the domestic economy, the contradiction between structural overcapacity and insufficient effective demand has not been fundamentally resolved and the pressure for industrial restructuring persisted, especially in the field of consumer goods, the foundation for the recovery on the demand side was weak. In the first half of the year, domestic food and beverage revenue increased by 4.3% year-on-year, but the growth in June was only 0.9%, indicating a slow demand recovery in the food and beverage channel which is a key scenario for chicken meat consumption. The imbalance between supply and demand in the chicken meat market was further exacerbated.

As for the white feather broiler industry in China, despite oversupply resulted in low chicken prices, it is difficult for the industry's inertia in expanding production capacity to take a break in the short term. Moreover, the prices of pork kept hovering low, leading to a weakened substitution effect of chicken meat, and thus the characteristic of "increased volume with lowered price" across the entire industry chain is increasingly prominent. Meanwhile, the rate of chain operation in downstream catering rose to 23% in 2024, with leading chain brands suppressing procurement costs with their scale advantages and transferring such costs back to the processing side, the profitability of the industry was further squeezed. The competition dimension has been extended from mere price competition to the integrated competition of "cost + research and development + delivery + service".

In the face of the complex and severe external environment and the oversupply landscape of the industry, the Company chose to exchange "short-term hardship" for "long-term dynamics". The Company deeply understood that, under the current circumstances where the recovery on the demand side has not yet robusted and the oversupply on the supply side remained persistent, relying solely on the rebound of market conditions would be insufficient to support sustainable development. Only by exploring the inherent potentials and laying strong foundation could turn the periodic fluctuations into growth opportunities. The Company adhered to making progress amid stability, continuously optimising its business model, reconstructing its supply chain with customers as the center, and continuously improving its relative competitiveness by reducing costs and increasing efficiency through refined management. Due to the continuous oversupply in the broiler and live pig breeding markets in China, in terms of planning for the industrial chain, the Company focused on investments in processed food production capacity, research and development, supply chain and marketing to consolidate its competitive advantages in the food processing segment, reduced its investment in resources of broiler breeding, slaughtering and feed processing, and was committed to driving the Group's results to grow continuously with processed food as the lead.

The deep transformation of business model is absolutely not just a mere adjustment of strategies; instead, it is an all-round upgrade involving the organization, system, talents and culture. To enable the actual implementation of new strategies, the Company is expediting the agile adjustment of the organization structure to adapt to the new business model, the comprehensive upgrade of the digital system to support refined operation, the systematic establishment of the professional talent teams to strengthen the innovation momentum, and the in-depth inculcation of the "customer-oriented" corporate culture to consolidate the consensus of the organization. Such infrastructures take time to integrate and will inevitably put the results under pressure in the short term due to the concentration of initial investments and the release of transformation costs. However, this is the inevitable way for enterprises to break through the periodic constraints and accumulate long-term competitiveness. The short-term fluctuation in the results is more like an "excruciating yet healing" phase in the process of strategic transformation. When the industry cycle picks up and consumer demand recovers, the solid foundation laid today will become the core driving force for the Company to achieve leaping growth in the new round of competition.

Looking ahead to the second half of the year, the global economic growth is still subject to challenges by a slowdown in trade growth brought by multiple uncertainties, including trade conflicts, tariff wars and geopolitical conflicts, but the domestic economic fundamentals are expected to continuously improve. With the Chinese government gradual implementation of policies to boost domestic demands (including the issuance of consumption coupons) and promote private economy (including tax and fee reduction), etc., the consumer demand recovery momentum is expected to be strengthened, and the long-term positive trend remains unchanged. As for the white feather broiler industry, despite the persistent pressure from oversupply in the short term, some small and medium-sized production capacity facilities have begun to withdraw from the market, and there is a chance that the supply-demand balance will gradually improve; the demand for high-quality, highly value-added chicken meat products on the consumption side is on the rise, leaving room for structural upgrade within the industry. In the face of the new environment for development, the Company will adhere to the following strategic directions: (1) taking the food products business as the engine for performance growth, thereby exploring opportunities for cost reduction and efficiency enhancement in core flagship products to improve the competitiveness and profitability of main products on one hand and continuing to cultivate new areas of growth on the other; (2) optimizing the operating model of meat products business, thereby allowing the effectiveness of the "basing production on sales" model and the development of high value-added products to be shown gradually, coupled with the optimisation of channel structure, leading to the increase in resilience of profitability with the expectation of hedging the impact of price fluctuations in the industry; (3) developing new customers by expanding diversified channels for the feeds business, thereby leading to the increase in the sales volume and diversification of market risks. With the synergy of "scale-up of food production, value-adding of meat products and diversification of feeds" developing in tandem, the Company has been optimizing its supply chain management system by progressing continuously on digital and smart transformation to enhance its operational efficiency and industrial competitiveness comprehensively as well as continuing to strengthen its risk resistance ability.

Business Review

For the first half of 2025, the Company's operating income amounted to RMB2,909,838 thousand, representing an increase of 4.1% over the corresponding period of last year. The food business, feeds business and meat business accounted for 44.8%, 28.4% and 26.8% respectively of the Company's total operating income. The Company's gross profit was RMB305,500 thousand, representing a decrease of 15.7% over the corresponding period of last year. The food business, feeds business and meat business accounted for 74.5%, 18.1% and 7.4% of the Company's total gross profit respectively. The food business has been the largest source of profit for the Company.

Processed Food

	Six months ended 30 June		
	2025	**2024**	**% change**
Turnover (RMB'000)			
– Mainland China	1,159,307	1,103,468	5.1
– Export	142,957	146,193	-2.2
Total	1,302,264	1,249,661	4.2
Gross profit (RMB'000)			
– Mainland China	200,286	241,896	-17.2
– Export	27,433	26,823	2.3
Total	227,719	268,719	-15.3
Gross profit margin (%)			
– Mainland China	17.3	21.9	
– Export	19.2	18.3	
Total	17.5	21.5	

For the first half of 2025, the operating income of the food products segment increased by 4.2% year-on-year, while the gross profit decreased by 15.3% year-on-year. Operating income of the food products segment for the second quarter increased by 8.8% year-on-year. Affected by the low-price competition among peers, the gross profit decreased by 5.6% year-on-year, and the decline rate in gross profit has narrowed compared with the first quarter.

As the upstream of the white feather broiler industrial chain is more susceptible to periodic market fluctuations, leading enterprises in the industry have been extending to the downstream food end in recent years, resulting in increasingly fierce competition in the field of processed food of chicken meat. Although the cost of raw materials for chicken meat fell year-on-year in the first half of the year, the prices of processed foods fell at a higher rate, squeezing the profitability of the food products business.

In the face of intensifying price competition, the domestic food sales team continued to promote cost reduction and efficiency improvement of its flagship products by cooperating with the research and development, quality control, procurement, production and other departments. Simultaneously, by increasing its investment in the fields of research and development, supply chain, quality control and digitalization, introducing professionals, advanced equipment and software, to continuously improve the development and service capabilities for major chain catering customers. While these strategic plans focus on medium to long-term development, including investments in capacity building, talent reserves and digital systems, which will put certain pressure on the profit of the processed food business in the short term, they will lay a stronger foundation for the Company's food business to scale up.

For the export market, the food export sales team continued to further cultivate the Japanese market, actively expanded into new product categories, new channels and new customers, and at the same time, it further increased its efforts in developing export markets in addition to Japan to mitigate market concentration risks. Moreover, in reliance on its own advantages in new product development, continued to optimize product design and production technologies, and strived to improve product quality and safety to better meet the demands for various international markets.

In the future, the Company will make further efforts in the expansion layout of its food production capacity and accelerate the scale-up of food products to smooth out the risk of market fluctuations in the meat products business with stable growth from the food products business.

Livestock Feeds (From External Customers)

	Six months ended 30 June		
	2025	**2024**	**% change**
Turnover (RMB'000)	826,528	827,086	-0.1
Gross profit (RMB'000)	55,150	69,205	-20.3
Gross profit margin (%)	6.7	8.4	

For the first half of 2025, the operating income of the feeds segment was basically the same over the corresponding period of last year, while the gross profit decreased by 20.3% over the corresponding period of last year. In the second quarter, the operating income of the feeds segment increased by 3.8% year-on-year, while the gross profit decreased by 13.8% over the corresponding period of last year. The rate of decline has narrowed compared with the first quarter.

In recent years, the industry consolidation of domestic pig breeding continued to increase, large-scale breeding enterprises accelerated their expansion while the number of free-range farmers and family farms continued to decrease, leading to a shrinkage of the Company's traditional customer base for pig feeds and putting pressure on sales. In the face of market changes, the feeds business team actively adjusted its operation strategy; on one hand, deepening the cooperation with medium and large-scale hog breeding farms to stabilize its market share through the OEM model; on the other hand, increasing its investment in the research and development of ruminant feeds and small-category feeds products as well as channel expansion efforts, to actively cultivate incremental markets beyond pig feeds and achieved a diversified business layout to mitigate risks. At the same time, the Company accelerated the integration of the middle office functions, strengthened cross-department collaborations in research and development, procurement, production, quality control, technical services, etc., achieved cost reduction and efficiency improvement through the use of alternative raw materials and other measures to continuously enhance the market competitiveness of products and services.

Meat Products

	Six months ended 30 June		
	2025	**2024**	**% change**
Turnover (RMB'000)	781,046	717,697	8.8
Gross profit (RMB'000)	22,631	24,547	-7.8
Gross profit margin (%)	2.9	3.4	

For the first half of 2025, the operating income of the meat segment increased by 8.8% year-on-year while the gross profit decreased by 7.8% year-on-year. The operating income of the meat segment for the second quarter increased by 12.7% year-on-year while the gross profit decreased by 40.5% year-on-year. The continuous decline in the market conditions for chicken meat is the main reason for the decrease in profits in the meat segment.

In response to the unfavorable market situation, the meat product team accelerated the business model transformation from the "basing sales on production" model which stresses production orientation to the "basing production on sales" model which is terminal customer demand-driven for live poultry supply and slaughtering, increasing the flexibility of its supply chain and enhancing its relative competitiveness. In the upstream of the industrial chain, the meat product team adjusted the cooperation mode with contract farmers, so that the cost of the Company's feather chickens can be as close to the market as possible, while establishing a good ecosystem of benefit and risk sharing between the contract farmers and the Company. In the midstream of the industrial chain, the meat product team reduced processing costs and overhead expenses by advancing automated production and lean management. In the downstream of the industrial chain, the meat product team focused on the development of fine processing and differentiated products and continuously enhanced the added value of products. At the same time, the meat product team will collaborate with the food products business to develop high-quality channel customers such as membership stores and supermarket chains, gradually eliminate low-end price-sensitive customers, and continuously strengthen the brand's premium capacity through the optimization of the channel structure.

Financial Review:

1) Other Operating Income and Other Net Gains

In the first six months of 2025, other operating income of the Group amounted to RMB10,360 thousand (2024: RMB10,717 thousand). Other operating income mainly comprised interest income and government grants.

In the first six months of 2025, other net losses of the Group amounted to RMB6,667 thousand (other net gains in 2024: RMB755 thousand). Other net losses mainly comprised other net balances derived from activities other than the Group's business operation such as net foreign exchange losses and net losses on disposal of fixed assets.

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2025, the Group's cash and bank deposit balances amounted to RMB402,391 thousand, representing a decrease of RMB67,356 thousand as compared with 31 December 2024. Interest-bearing borrowings of the Group decreased by RMB59,003 thousand to RMB508,234 thousand (31 December 2024: RMB567,237 thousand). The interest-bearing borrowings to equity ratio was 21.2% (31 December 2024: 23.3%). The current ratio was maintained at a healthy level of 1.45 times (31 December 2024: 1.55 times).

3) Capital Expenditure

In the first six months of 2025, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB68,668 thousand. The primary source of fund of the Group's capital expenditure is long-term bank loans.

4) Exchange Rate

The Group's business transactions were mainly denominated in RMB and USD. During the review period, RMB appreciated by 0.42% against USD. Such change of exchange rate had no material impact on the Group's operation.

5) Interest

During the first six months in 2025, the Group's interest expense amounted to RMB7,416 thousand (2024: RMB13,008 thousand), representing a decrease of 43.0% as compared with the same period of 2024. The decrease in interest expense was primarily due to the receipt of interest subsidies on the borrowings for the project of the new plant in Bengbu in the current period.

6) Pledge of Assets

As at 30 June 2025, the Group had no assets pledged as security against bank facilities.

7) Capital Commitment

As at 30 June 2025, the capital expenditure of the Group contracted for but not yet provided in the financial statements was RMB120,449 thousand and the capital expenditure authorised but not contracted for was RMB39,947 thousand.

Staff Compensation and Training

As at 30 June 2025, the Group had a total of 8,264 staff (31 December 2024: 8,324). In order to build up a team who will be comprised of professional staff and management to meet the development needs of the Group, the Group offers competitive remuneration packages to its staff by taking into consideration industry practice, the financial performance of the Group and the staff's own performance. The Group places great emphasis on staff training and development and regards its staff as its core. With a view to continuously enhancing the job skills and industry knowledge of its management and other staff, the Group has offered them various training programs. The Group aims at promoting the quality of its staff through implementing the above programs and at the same time offering them the best opportunity for personal career development. The Group believes such programs benefit both itself and its staff.

The Group regularly reviews its remuneration and benefit policies according to industry standards, the Group's financial results, as well as the individual performance of its staff so as to offer fair and competitive compensation packages to its staff. Other fringe benefits, such as insurance, medical benefits and provident fund, are also provided for its dedicated staff who remain on the job.

OTHER INFORMATION

Corporate Governance Code

Throughout the six months ended 30 June 2025, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that:

Under Code Provision C.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. James Chun-Hsien Wei has performed both of the roles as the Chairman and the Chief Executive Officer since 1 September 2022. The Board considers that this structure would not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises two executive directors (including Mr. James Chun-Hsien Wei), five non-executive directors and four independent non-executive directors and therefore has a fairly strong independence in its composition and they meet regularly to discuss issues relating to the operation of the Company in order to provide adequate safeguards and protect the interests of the Company and its shareholders. In addition, after taking into account the past experience of Mr. James Chun-Hsien Wei, the Board believes that vesting the roles of the Chairman and the Chief Executive Officer in Mr. James Chun-Hsien Wei could facilitate the execution of the Group's business strategies and enhance the efficiency of its operation. Hence, the aforesaid deviation is appropriate and is in the best interest of the Company at the present stage.

Under Code Provision C.6.1, the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Ms. Cho Yi Ping ("Ms. Cho") has been appointed as the company secretary of the Company (the "Company Secretary") with effect from 8 August 2016. She is now a partner of the Company's legal adviser, Wong & Tang Solicitors. The Company has assigned a member of the senior management, Ms. Feng Yuxia, head of the legal department of the Company, as the contact person with Ms. Cho. Ms. Cho is a practicing solicitor in Hong Kong with understanding of the Listing Rules, her qualifications meet the requirements of the Listing Rules in terms of a company secretary of a listed issuer. Further, whenever necessary, the contact person assigned will promptly deliver information regarding the performance, financial position and other major developments and affairs of the Group to Ms. Cho. Having in place a mechanism that enables Ms. Cho to get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Cho as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures and applicable laws, rules and regulations.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules for regulating the securities transactions of directors. All directors have confirmed, following the specific enquiry by the Company, that they complied with the requirements set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2025.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2025, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company was established with terms of reference in accordance with the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advice regarding the Company's financial reporting matters, including reviewing the interim results for the six months ended 30 June 2025, and the internal control and risk management system. The audit committee has reviewed the interim results of the Company and does not have any disagreement with the accounting treatment adopted by the Company.

The members of the audit committee comprises Mr. Ting Yu-Shan (chairman), Mr. Hsia Li-Yan, Ms. Lee Tsai, Yu-Ling and Mr. Kao Koong-Lian who are independent non-executive directors of the Company.

By Order of the Board
James Chun-Hsien Wei
Chairman

Hong Kong, 7 August 2025

As at the date of this announcement, Mr. James Chun-Hsien Wei (Chairman) and Mr. Han Chia-Yin are the executive directors of the Company, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Han Jia-Hwan, Mr. Chao Tien-Shin and Mr. Wei Anning are the non-executive directors of the Company, and Mr. Ting Yu-Shan, Mr. Hsia Li-Yan, Ms. Lee Tsai, Yu-Ling and Mr. Kao Koong-Lian are the independent non-executive directors of the Company.