



雲白國際有限公司

YNBY International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00030)

2024

INTERIM REPORT

CONTENTS

	Page
Corporate Information	2
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Unaudited Condensed Consolidated Statement of Financial Position	5
Unaudited Condensed Consolidated Statement of Changes in Equity	7
Unaudited Condensed Consolidated Statement of Cash Flows	8
Notes to the Unaudited Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	27
Other Information	35

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Dong Ming (*Chairman*)
Mr. Tang Ming (*Chief Executive Officer*)
Mr. Liu Zhouyang

Non-Executive Directors:

Mr. Qian Yinghui
Mr. Huang Bin

Independent Non-Executive Directors:

Dr. Cecilia Wai Bing Pang
Dr. Cheung Hoi Yu
Mr. Wong Hin Wing

COMMITTEES

Audit Committee:

Mr. Wong Hin Wing (*Chairman*)
Mr. Qian Yinghui
Dr. Cecilia Wai Bing Pang
Dr. Cheung Hoi Yu

Remuneration Committee:

Dr. Cheung Hoi Yu (*Chairman*)
Mr. Tang Ming
Dr. Cecilia Wai Bing Pang
Mr. Wong Hin Wing

Nomination Committee:

Mr. Dong Ming (*Chairman*)
Dr. Cecilia Wai Bing Pang
Dr. Cheung Hoi Yu
Mr. Wong Hin Wing

COMPANY SECRETARY

Mr. Liu Huaiyu

AUTHORIZED REPRESENTATIVES

Mr. Tang Ming
Mr. Liu Huaiyu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

32/F
Cambridge House, Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

AUDITORS

ZHONGHUI ANDA CPA Limited

REGISTRAR

Computershare Hong Kong Investor Services
Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

WEBSITE

www.0030.com.hk

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

For the six months ended 30 June 2024

		Six months period from	
		1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
	<i>Notes</i>		
Revenue	4	362,301,718	368,155,231
Cost of sales		(338,563,930)	(336,059,841)
Gross profit		23,737,788	32,095,390
Other income, gains and losses		133,552	702,528
Net reversal of allowance for expected credit losses		327,956	604,420
Selling and distribution expenses		(2,476,961)	(313,842)
General and administrative expenses		(16,024,498)	(10,540,779)
Profit from operations		5,697,837	22,547,717
Finance costs	5	(1,643,378)	(2,419,585)
Share of loss of a joint venture		(1,620)	(1,353)
Profit before tax	6	4,052,839	20,126,779
Income tax expenses	7	(2,644,499)	(1,618,532)
Profit for the period		1,408,340	18,508,247
Attributable to:			
Owners of the Company		1,408,340	18,519,567
Non-controlling interests		-	(11,320)
		1,408,340	18,508,247
Earnings per share	8		
Basic (HK cents per share)		0.02	0.27
Diluted (HK cents per share)		0.02	0.24

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2024

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Profit for the period	1,408,340	18,508,247
Other comprehensive (expenses)/income after tax:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(267,139)	5,340,037
Total comprehensive income for the period	1,141,201	23,848,284
Attributable to:		
Owners of the Company	1,141,201	23,921,709
Non-controlling interests	-	(73,425)
	1,141,201	23,848,284

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Non-current assets			
Property, plant and equipment	10	3,378,998	3,820,705
Right-of-use assets		12,423,481	14,235,984
Investment in a joint venture		14,307	15,927
		<u>15,816,786</u>	<u>18,072,616</u>
Current assets			
Inventories		26,537,067	39,747,819
Trade receivables	11	103,893,156	110,344,093
Loan and interest receivables	12	-	-
Other receivables, deposits and prepayments	13	10,863,273	13,709,416
Amount due from a joint venture		70,655	68,455
Tax recoverable		8,739,001	8,960,179
Cash and cash equivalents		179,337,794	199,324,292
		<u>329,440,946</u>	<u>372,154,254</u>
Current liabilities			
Trade and other payables	14	45,727,163	79,368,810
Bank borrowings	15	7,669,718	17,655,760
Lease liabilities		3,976,897	3,577,988
Contract liabilities		2,024,366	4,286,288
Amount due to a shareholder		17,446,957	17,447,343
Convertible bond	16	14,207,024	13,024,059
		<u>91,052,125</u>	<u>135,360,248</u>
Net current assets		<u>238,388,821</u>	<u>236,794,006</u>
Total assets less current liabilities		<u>254,205,607</u>	<u>254,866,622</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2024

	<i>Notes</i>	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Non-current liabilities			
Lease liabilities		8,409,565	10,211,781
Other payables	14	1,500,000	1,500,000
		9,909,565	11,711,781
NET ASSETS		244,296,042	243,154,841
Capital and reserves			
Share capital	17	67,999,142	67,999,142
Reserves		176,296,900	175,155,699
TOTAL EQUITY		244,296,042	243,154,841

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company							Non- controlling interests	Total
	Share capital	Share premium	Capital redemption reserve	Convertible bond reserve	Exchange reserve	Accumulated losses	Sub-total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 January 2024 (audited)	67,999,142	1,085,013,367	176,000	56,168,231	(1,118,808)	(965,083,091)	243,154,841	-	243,154,841
Profit for the period	-	-	-	-	-	1,408,340	1,408,340	-	1,408,340
Other comprehensive expenses for the period:									
Exchange differences arising on translating foreign operation	-	-	-	-	(267,139)	-	(267,139)	-	(267,139)
Total comprehensive (expenses)/ income for the period	-	-	-	-	(267,139)	1,408,340	1,141,201	-	1,141,201
At 30 June 2024 (unaudited)	67,999,142	1,085,013,367	176,000	56,168,231	(1,385,947)	(963,674,751)	244,296,042	-	244,296,042
At 1 April 2023 (audited)	67,999,142	1,085,013,367	176,000	56,168,231	10,512,532	(1,108,828,064)	111,041,208	2,262,089	113,303,297
Profit/(loss) for the period	-	-	-	-	-	18,519,567	18,519,567	(11,320)	18,508,247
Other comprehensive income/(expenses) for the period:									
Exchange differences arising on translating foreign operation	-	-	-	-	5,402,142	-	5,402,142	(62,105)	5,340,037
Total comprehensive income/(expenses) for the period	-	-	-	-	5,402,142	18,519,567	23,921,709	(73,425)	23,848,284
Deregistration of a subsidiary	-	-	-	-	-	-	-	(906,222)	(906,222)
At 30 September 2023 (unaudited)	67,999,142	1,085,013,367	176,000	56,168,231	15,914,674	(1,090,308,497)	134,962,917	1,282,442	136,245,359

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Net cash (used in)/generated from operating activities	(7,749,278)	56,365,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to a joint venture	(2,200)	(7,255)
Purchase of property, plant and equipment	(26,087)	–
Interest received	141,578	92,125
Net cash generated from investing activities	113,291	84,870
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowing raised	2,200,874	11,050,163
Repayments of bank borrowings	(12,104,807)	–
Capital element of lease rentals paid	(1,677,259)	(1,960,178)
Interest element of lease rentals paid	(247,946)	(60,160)
Change in amount due to a shareholder	–	(15,000,000)
Interest paid	(212,467)	(76,630)
Net cash used in financing activities	(12,041,605)	(6,046,805)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(19,677,592)	50,403,498
Effect of foreign exchange rate changes	(308,906)	(1,683,665)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	199,324,292	159,003,957
CASH AND CASH EQUIVALENTS AT END OF PERIOD	179,337,794	207,723,790
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	179,337,794	207,723,790

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

The Company is incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) (“Yunnan Baiyao”) is a substantial shareholder of the Company. The address of its principal place of business is 32/F, Cambridge House, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in trading of goods and commodities.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Referring to the announcement made by the Company on 13 October 2023, the Company resolved to change its financial year end from 31 March to 31 December commencing from the financial period from 1 April 2023 to 31 December 2023 in order to enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. Accordingly, the condensed consolidated financial statements for the current period cover the six-month period from 1 January 2024 to 30 June 2024 (the “Reporting Period”). The corresponding comparative amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and related notes cover six-month period from 1 April 2023 to 30 September 2023 and therefore may not be comparable with amounts shown for current period.

2. BASIS OF PREPARATION *(Continued)*

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the nine months ended 31 December 2023. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the nine months ended 31 December 2023.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance focus on types of goods or services delivered or provided. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

- (i) Trading segment engages in the trading of goods and commodities.
- (ii) Others segment engages in the provision of marketing services, product registration services and sourcing of OEM/ODM services.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2024 (unaudited)

	Trading of goods and commodities HK\$	Others HK\$	Total HK\$
Revenue	<u>362,301,718</u>	<u>–</u>	<u>362,301,718</u>
Gross profit	<u>23,737,788</u>	<u>–</u>	<u>23,737,788</u>
Segment result	<u>20,196,245</u>	<u>–</u>	<u>20,196,245</u>
Unallocated corporate income, gains and losses			205,636
Unallocated corporate expenses			(14,704,044)
Finance costs			(1,643,378)
Share of loss of a joint venture			<u>(1,620)</u>
Profit before tax			<u>4,052,839</u>

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the six months ended 30 September 2023 (unaudited)

	Trading of goods and commodities HK\$	Others HK\$	Total HK\$
Revenue	<u>356,655,231</u>	<u>11,500,000</u>	<u>368,155,231</u>
Gross profit	<u>30,228,567</u>	<u>1,866,823</u>	<u>32,095,390</u>
Segment result	<u>26,641,828</u>	<u>1,866,823</u>	<u>28,508,651</u>
Unallocated corporate income, gains and losses			126,888
Unallocated corporate expenses			(6,087,822)
Finance costs			(2,419,585)
Share of loss of a joint venture			<u>(1,353)</u>
Profit before tax			<u>20,126,779</u>

Segment results represents the profit earned from each segment without allocation of directors' fee, certain bank interest income, certain other income, gains and losses, share of result of a joint venture, certain general and administrative expenses and certain finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	Trading of goods and commodities	Total
	HK\$	HK\$
As at 30 June 2024 (unaudited)		
Segment assets	299,529,689	299,529,689
Unallocated assets		<u>45,728,043</u>
		<u>345,257,732</u>
Segment liabilities	(44,294,164)	(44,294,164)
Unallocated liabilities		<u>(56,667,526)</u>
		<u>(100,961,690)</u>
As at 31 December 2023 (audited)		
Segment assets	326,618,282	326,618,282
Unallocated assets		<u>63,608,588</u>
		<u>390,226,870</u>
Segment liabilities	(82,365,991)	(82,365,991)
Unallocated liabilities		<u>(64,706,038)</u>
		<u>(147,072,029)</u>

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, investment in a joint venture, certain other receivables, deposits and prepayments, amount due from a joint venture and certain bank balances and cash which are managed on a group basis.
- all liabilities are allocated to reportable and operating segments other than certain other payables, amount due to a shareholder, convertible bond and certain lease liabilities which are managed on a group basis.

5. FINANCE COSTS

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Interest expense from bank borrowings	212,467	76,630
Effective interest expense on convertible bond <i>(note 16)</i>	1,182,965	2,282,795
Interest expenses on lease liabilities	247,946	60,160
	1,643,378	2,419,585

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months period from	
	1 January	1 April
	2024 to	2023 to
	30 June	30 September
	2024	2023
	HK\$	HK\$
	(unaudited)	(unaudited)
Directors' emoluments	2,193,197	2,679,596
Cost of inventories recognised as expense	338,563,930	336,059,841
Depreciation of property, plant and equipment	466,946	265,087
Depreciation of right-of-use assets	2,086,822	1,934,527
Expenses relating to short-term lease	262,937	100,200

7. INCOME TAX EXPENSES

	Six months period from	
	1 January	1 April
	2024 to	2023 to
	30 June	30 September
	2024	2023
	HK\$	HK\$
	(unaudited)	(unaudited)
Current tax:		
– The People's Republic of China ("the PRC")		
Enterprises Income Tax ("EIT")	(2,644,499)	(1,618,532)

7. INCOME TAX EXPENSES *(Continued)*

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the Reporting Period and the six months ended 30 September 2023.
- (b) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries of the Company in the PRC is 25% during the six months ended 30 June 2024 (six months ended 30 September 2023: 25%).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share	1,408,340	18,519,567
Finance costs saving on conversion of convertible bond outstanding	—	2,282,795
	<hr/>	<hr/>
Earnings for the purpose of calculating diluted earnings per share	1,408,340	20,802,362
	<hr/>	<hr/>

8. EARNINGS PER SHARE (Continued)

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	6,799,914,160	6,799,914,160
Effect of dilutive potential ordinary shares arising from convertible bond outstanding	<u>–</u>	<u>1,937,984,496</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>6,799,914,160</u>	<u>8,737,898,656</u>

The computation of diluted earnings per share for the six months ended 30 June 2024 does not assume the conversion of convertible bond as the conversion of convertible bond would result in an increase in earnings per share of the Company.

9. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2024 and six months ended 30 September 2023, nor has any dividend been proposed since the end of the Reporting Period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group has acquired property, plant and equipment with a cost of HK\$26,087 (six months ended 30 September 2023: nil).

11. TRADE RECEIVABLES

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Trade receivables	103,893,156	110,344,093
Less: net allowance for expected credit losses	—	—
	<u>103,893,156</u>	<u>110,344,093</u>

Trade receivables in relation to trading of goods and commodities are having an average credit period of 90 days (31 December 2023: 90 days).

The following is an ageing analysis of the Group's trade receivables (before net allowance for expected credit losses) presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the Reporting Period:

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
0 to 90 days	82,509,234	101,650,176
91 to 180 days	18,666,677	8,693,917
181 to 365 days	<u>2,717,245</u>	—
	<u>103,893,156</u>	<u>110,344,093</u>

At the end of the Reporting Period, none of the Group's trade receivables was past due but not impaired for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collaterals for the trade receivables above.

12. LOAN AND INTEREST RECEIVABLES

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Loan receivables		
Secured	274,256,465	274,256,465
Unsecured	202,291,346	<u>202,619,302</u>
	476,547,811	476,875,767
Less: net allowance for expected credit losses	(476,547,811)	<u>(476,875,767)</u>
	<u>—</u>	<u>—</u>

The maturity profile of the loan receivables (before net allowance for expected credit losses) at the end of the Reporting Period, analysed by the maturity date, is as follows:

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Overdue	476,547,811	<u>476,875,767</u>
Gross amount analysed for reporting purpose: Current assets	476,547,811	<u>476,875,767</u>

12. LOAN AND INTEREST RECEIVABLES *(Continued)*

The secured and unsecured loans advanced to the customers arising under the Group's money lending business had an average loan period of 3 months to 5 years (31 December 2023: 3 months to 5 years). The loans provided to customers bore fixed interest rate ranging from 1%-2.4% per month (31 December 2023: 1%-2.4% per month), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers. The loans provided to borrowers are repayable in accordance with the loan agreement, in which interest portion will be repaid in monthly basis while the principal amounts are repayable on maturity.

With reference to the announcement made by the Company on 25 October 2023 regarding the key findings of the forensic investigation, the loan and interest receivables are fully impaired.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Other receivables	3,538,002	5,920,283
Deposits	304,827,790	304,504,393
Prepayments	1,322,214	2,109,473
	309,688,006	312,534,149
Less: net allowance for expected credit losses	<u>(298,824,733)</u>	<u>(298,824,733)</u>
	<u>10,863,273</u>	<u>13,709,416</u>

14. TRADE AND OTHER PAYABLES

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Trade payables	38,211,032	54,393,370
Other payables and accrued charges	9,016,131	26,475,440
	47,227,163	80,868,810
The total is analysed for reporting purposes as:		
Current	45,727,163	79,368,810
Non-current	1,500,000	1,500,000
	47,227,163	80,868,810

The non-current amount is related to the provision for reinstatement cost, under the lease agreement of leased office, on which the tenancy will expire in four years.

Note: The credit period for trade payables ranges from 45 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

14. TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of trade payables presented based on the invoice date at the end of Reporting Period is set out as follows:

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
0 to 30 days	35,460,414	9,243,344
31 to 60 days	–	41,798,508
61 to 90 days	–	–
Over 90 days	2,750,618	3,351,518
	38,211,032	54,393,370

15. BANK BORROWINGS

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Bank loans (unsecured and unguaranteed)	7,669,718	17,655,760
Less: Amount due for settlement within 12 months (shown under current liabilities)	(7,669,718)	(17,655,760)
Amount due for settlement after 12 months	–	–
The borrowings are repayable as follows: On demand or within one year	7,669,718	17,655,760

The carrying amounts of the Group's borrowings are denominated in RMB.

15. BANK BORROWINGS (Continued)

The average interest rates were as follows:

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Bank loans	3.14%	3.30%

16. CONVERTIBLE BOND

The Company entered into a subscription agreement with Yunnan Baiyao on 14 October 2019 (the “Subscription Agreement”), pursuant to the Subscription Agreement and the supplemental subscription agreement (collectively the “Subscription Agreements”), the Company has conditionally agreed to issue, and Yunnan Baiyao has conditionally agreed to subscribe for, through its trustee, Shanghai International Trust Corp., Ltd., a convertible bond (the “Convertible Bond”) in the aggregate principal amount of HK\$500 million with coupon rate of 3% per annum for 2 years (the “Subscription”).

Reference is made to the Company’s circular dated 12 January 2023, on 5 December 2022, the Company and Yunnan Baiyao entered into an extension supplemental agreement, pursuant to which the Company and Yunnan Baiyao conditionally agreed to extend the initial maturity date by two years from 31 October 2022 to 30 October 2024 by way of entering into a supplemental agreement. Save for the proposed extension, all other terms and conditions of the Convertible Bond remained unchanged. The supplemental agreement was subsequently approved on 1 February 2023. Details of the Convertible Bond were disclosed in the Group’s consolidated financial statements for the nine months ended 31 December 2023.

16. CONVERTIBLE BOND (Continued)

The movement of the liability component of the convertible bond is set out below:

	Liability component HK\$
Carrying amount at 1 January 2024 (audited)	13,024,059
Effective interest expenses (note 5)	<u>1,182,965</u>
Carrying amount at 30 June 2024 (unaudited)	<u>14,207,024</u>
Current portion	14,207,024
Non-current portion	<u>–</u>
	<u>14,207,024</u>

The interest expenses for the period are calculated by applying an effective interest rate of 18.79% to the liability component.

17. SHARE CAPITAL

	No. of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each	<u>20,000,000,000</u>	<u>200,000,000</u>
As at 1 January 2024 (audited) and 30 June 2024 (unaudited) (ordinary shares of HK\$0.01 each)	<u>6,799,914,160</u>	<u>67,999,142</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

18. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following material transactions with related parties:

(a) Transactions with related parties

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Purchase of goods and commodities from Yunnan Baiyao (<i>Note</i>)	2,830,863	6,740,684
Purchase of goods and commodities from fellow subsidiaries (<i>Note</i>)	1,595,480	–
Sales of goods and commodities to a fellow subsidiary (<i>Note</i>)	84,056,914	13,553,563
Provision of product registration and promotion services to Yunnan Baiyao (<i>Note</i>)	–	11,500,000
Effective interest expense from the convertible bond with Yunnan Baiyao	1,182,965	2,282,795

Note:

The transaction constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules (the “Continuing Connected Transaction”). Further details of the Continuing Connected Transaction are provided in the section headed “Continuing Connected Transaction” in the Report of the Directors as set out in the Company’s annual report for the nine months ended 31 December 2023.

18. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	Six months period from	
	1 January 2024 to 30 June 2024 HK\$ (unaudited)	1 April 2023 to 30 September 2023 HK\$ (unaudited)
Salary and other short term benefits	2,646,197	3,372,596
Contribution to defined contribution retirement plans	27,000	27,000
	2,673,197	3,399,596

(c) Period ended balances with related parties

	As at 30 June 2024 HK\$ (unaudited)	As at 31 December 2023 HK\$ (audited)
Trade payable to a shareholder	5,441,405	2,610,542
Trade payable to a fellow subsidiary	16,262	–
Trade receivable from a fellow subsidiary	13,124,413	26,610,973
Trade deposit paid to a fellow subsidiary	327,290	502,955
Amount due to a shareholder	17,446,957	17,447,343
Amount due from a joint venture	70,655	68,455

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months period from 1 January 2024 to 30 June 2024 (the “Reporting Period”), the Group has recorded its business portfolio to include (i) the trading of goods and commodities business, encompassing (a) e-commerce trading business, (b) raw material trading business for healthcare products in the People’s Republic of China (the “PRC”), and (c) distribution of certain products (“YNBY Products”) manufactured and branded by the Company’s controlling shareholder Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司) (“Yunnan Baiyao”) to overseas markets; and (ii) other segment, mainly providing marketing services, product registration services, and sourcing for OEM/ODM services.

Trading of goods and commodities

The trading of goods and commodities segment mainly consisted of the e-commerce trading business, and raw materials trading business for healthcare products in the PRC.

The Group’s e-commerce trading business was mainly operated by selling products bearing third-party brands, which are sourced and procured from overseas suppliers and sold to China’s famous online platforms, such as VIP.com, JD.com and Tmall and overseas online platforms, such as Coupang, etc. The Company constantly communicates with its customers, mainly the e-commerce trading platforms, to understand their product demands. In the meantime, the Company constantly reviews its inventory and/or seeks quotations from its extensive network of suppliers, and may place purchase orders according to suitable market situations, which are constantly changing, within the Company’s supply capabilities. Once a receipt of order from the Company’s customers is confirmed, the Company will (i) assure supply quantity and quality, from existing inventories and/or from a number of different suppliers; (ii) arrange for respective payments to the suppliers where appropriate; (iii) use own or third-party warehouse to receive the ordered goods from the Company’s suppliers, and deploy own team or appoint third party to conduct quality inspection; (iv) facilitate the delivery of the products to the Company’s customers; (v) arrange the products to go through customs inspection and clearance where appropriate; (vi) facilitate relevant customers services including but not limited to after-sales services; (vii) cooperate with business partners and formulate further marketing and sales of relevant products, and monitor the sales trend for such products; and (viii) the Company usually receives the payments from the e-commerce platforms within the credit period on each sales after the delivery of ordered goods.

The Group commenced its hemp CBD raw materials trading and CBD isolate business in 2019. As a natural expansion of its CBD trading business, the Group has been engaged in the sourcing of raw materials for manufacturing since early 2022, which involved the supply of other plant extracts and raw materials for cosmetics and healthcare products, including packaging materials, sorbitol, steviol glycoside, lauric acid, CBD materials, glycerin, etc. to existing and potential customers in the healthcare and cosmetics industry. As a modest extension of the services previously offered by the Group, the Group no longer passively sources products required by its customers, but takes on a more active role in serving its existing and potential customers in respect of their supply chain.

We are fully equipped with the resources, experience, and subsidiaries needed to effectively navigate the healthcare product industry and are deeply confident that trading raw materials for healthcare products will be a significant contributor to the Group's profitability. Our management team is committed to leveraging these assets to continue driving growth and success in our operations.

Starting from May 2023, in order to assist YNBY Products in expanding to overseas markets by utilizing the existing overseas distribution network and marketing experiences of the Group, the Group distributed YNBY Products to overseas markets. The new distribution network was not only in line with Yunnan Baiyao globalization strategy but also generating a new revenue stream for the Group. The synergistic effects were therefore achieved.

For the Reporting Period, the Group's trading segment recorded a total revenue of approximately HK\$362.3 million, which was slightly higher by approximately 1.6% than that for the six months period from 1 April 2023 to 30 September 2023 (the "2023 1H") of approximately HK\$356.7 million. For the Reporting Period, this segment recorded segment profit of approximately HK\$20.2 million (the 2023 1H: approximately HK\$26.6 million). The decrease in the segment profit was mainly attributable to narrower gross profit margin from approximately 8.5% in the 2023 1H to approximately 6.6% in the Reporting Period in trading of goods and commodities business as a result of downward pressures on the trading business in PRC.

Other Segment – marketing services, product registration services and sourcing for OEM/ODM services

The Group is playing a pivotal role in connecting Chinese medical/pharmaceutical companies with global resources. These resources include an international supply chain, Contract Research Organizations (CROs), industry experts, and global product registration services. The Group aids its domestic partners in expanding their businesses onto the global stage. The Group can better utilise the global network and resources and improve the cost efficiency over the established overseas platform by providing the professional services.

Leveraging its global resources, the Group is forging an international platform for the development and distribution of healthcare products. With its base in Hong Kong, the Group collaborates closely with global partners to introduce quality healthcare products/services to Asian markets. By establishing distribution channels, providing product registration services, and conducting marketing promotion for pharmaceutical and healthcare companies/brands from around the world in various Asian markets, the Group aims to offer a comprehensive range of healthcare products and services. It further strives to aid its partners in expanding their businesses into diverse regions.

For the Reporting Period, the Group's other segment did not generate any revenue (the 2023 1H: approximately HK\$11.5 million) and did not incur any profit or loss (the 2023 1H: profit of approximately HK\$1.9 million).

PROSPECTS

In 2024, the Company faces a challenging economic landscape. A confluence of factors, including a significantly more complex, severe, and uncertain global environment, coupled with ongoing domestic and international structural adjustments, contribute to this challenging outlook. Specifically, the growth of China's e-commerce import business faced headwinds from rising international interest rates, intensified regional competition, a weakening RMB, and global political turmoil. On the other hand, the Chinese cosmetics and healthcare market demonstrates steady growth. In the first quarter of 2024, total retail sales of consumer goods in China reached RMB12.03 trillion, a year-on-year increase of 4.7%. Notably, retail sales of cosmetics from enterprises above the designated size reached RMB108.6 billion, marking a 3.4% year-on-year growth and highlighting the resilience of the Chinese cosmetics market.

Meanwhile, Traditional Chinese Medicine (TCM) is gaining increasing global recognition and presenting the Company with new growth opportunities. The Chinese government continues to promote TCM's scientific innovation and internationalization strategy. The National Administration of Traditional Chinese Medicine has been making significant strides in advancing the Belt and Road Initiative, leading to deepening intergovernmental cooperation and exchange for TCM within the international market. As a result, TCM is being incorporated into the healthcare systems of more countries, achieving positive and steady progress in overseas business development.

Building on the successful experience of our Group's existing business strategies since 2022, the management believes that the Group is well-positioned for favorable development prospect in the trading of goods and commodities, including e-commerce trading business, supply chain trading business, and TCM international trading business.

GENERAL AND ADMINISTRATIVE EXPENSES

For the Reporting Period, the Group's general and administrative expenses amounted to approximately HK\$16.0 million (the 2023 1H: approximately HK\$10.5 million), representing an increase of approximately 52.0%. The increase was mainly due to strengthening geographic expansions in South Asia and Greater China.

FINANCE COSTS

For the Reporting Period and the 2023 1H, finance costs of approximately HK\$1.6 million and approximately HK\$2.4 million were incurred respectively. The decrease in finance costs was primarily attributable to a decrease in effective interest expenses from approximately HK\$2.3 million for the 2023 1H to approximately HK\$1.2 million for the Reporting Period as a result of the different amortisation period on the effective interest of the convertible bond.

INCOME TAX EXPENSES

For the Reporting Period, the Company incurred income tax expenses of approximately HK\$2.6 million (the 2023 1H: approximately HK\$1.6 million). The increase in income tax expenses was primarily caused by the increase in trading profits arising from raw material trading business for healthcare products in the PRC.

EARNINGS PER SHARE

For the Reporting Period, the basic and diluted earnings per share amounted to 0.02 HK cents, as compared with the basic earnings per share of 0.27 HK cents and diluted earnings per share of 0.24 HK cents for the 2023 1H. The decrease in the basic and diluted earnings per share was mainly due to the decrease in gross profit margin and increase in general and administrative expenses during the Reporting Period.

FINANCIAL POSITION

The shareholders' equity slightly increased from approximately HK\$243.2 million as at 31 December 2023 to approximately HK\$244.3 million as at 30 June 2024, which was mainly resulting from the net profit for the Reporting Period. Total assets decreased by approximately 11.5% from approximately HK\$390.2 million as at 31 December 2023 to approximately HK\$345.3 million as at 30 June 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately HK\$179.3 million (31 December 2023: approximately HK\$199.3 million). As at 30 June 2024, the Group had bank borrowings of approximately HK\$7.7 million which were at fixed rate and short-term loans with 1-year maturity denominated in RMB (31 December 2023: approximately HK\$17.7 million) and a convertible bond with carrying amount of approximately HK\$14.2 million (31 December 2023: approximately HK\$13.0 million) with coupon rate of 3% per annum. The interest expenses for the year are calculated by applying an effective interest rate of approximately 18.8% per annum to the liability component for 2-year period since the convertible bond were extended. The gearing ratio of the Group is approximately 9.0% as at 30 June 2024 (31 December 2023: approximately 12.6%), which was calculated by the total interest-bearing borrowings including the bank borrowing and the convertible bond, divided by the net assets of the Group.

DIVIDEND

The board (the “Board”) of the directors (the “Directors”) of the Company did not propose an interim dividend for the Reporting Period (six months ended 30 September 2023: nil).

SHARE CAPITAL AND FUND-RAISING ACTIVITIES

As at 30 June 2024, the total number of issued ordinary shares (the “Shares”) of the Company was 6,799,914,160 shares (31 December 2023: 6,799,914,160 shares).

In October 2020, the Company issued a convertible bond to Yunnan Baiyao with a principal of HK\$500 million (net proceeds of approximately HK\$498 million, equivalent to a net price of approximately HK\$0.257) (the “Subscription”) in order to provide financial resources for exploring opportunities to diversify the businesses. A total of 1,937,984,496 ordinary shares of nominal value of HK\$0.01 per share could be converted and issued at conversion price of HK\$0.258 per share upon maturity. The closing price per share on the date of the Subscription agreement (being 14 October 2019) was HK\$0.260. Please refer to the circular of the Company dated 11 September 2020 for further details. As at 30 June 2024, approximately HK\$396 million had been used from the date of Subscription in accordance with its intended use as stated in the circular of the Company dated 11 September 2020 (for further details in relation to the unused proceeds, please refer to the breakdown set out in the paragraph below), and the unused balance of the Subscription proceeds was approximately HK\$102 million.

In June 2022, the Company placed 351,762,000 ordinary shares of nominal value of HK\$0.01 per share with a gross proceed of approximately HK\$100 million (net proceeds of approximately HK\$100 million) (the “Placing”) to Sunwah GreatWall Group Limited at subscription price HK\$0.285 per share (with a net price of approximately HK\$0.284) in order to supplement the Group’s long-term funding of its expansion plan and growth strategies and broaden the shareholder base. The closing price per share on the date of the Placing agreement (being 14 April 2022) was HK\$0.244. As at 30 June 2024, approximately HK\$50 million had been used from the date of Placing in accordance with its intended use as stated in the announcements of the Company dated 14 April 2022 and 16 May 2022, and the unused balance of the Placing proceeds was approximately HK\$50 million.

The Company applied the net proceeds from the Subscription and Placing as follows:

	Unused balances of net proceeds as at 31 March 2023 <i>HK\$ million</i>	Actual use of net proceeds during the nine months period from 1 April 2023 to 31 December 2023 <i>HK\$ million</i>	Unused balances of net proceeds as at 31 December 2023 <i>HK\$ million</i>	Actual use of net proceeds during the six months period from 1 January 2024 to 30 June 2024 <i>HK\$ million</i>	Unused balances of net proceeds as at 30 June 2024 <i>HK\$ million</i>
Subscription					
Purchase of CBD isolate inventory for trading purpose	5	-	5	-	5
Setting up of hemp cultivation and extraction and trading business	70	-	70	-	70
Expansion of CBD-related target business <i>(Note 2)</i>	27	-	27	-	27
Total	<u>102</u>	<u>-</u>	<u>102</u>	<u>-</u>	<u>102</u>
Placing					
Expansion of CBD-based cosmetics products and industrial cannabis trading business with ASEAN	40	-	40	-	40
Research and development of Chinese herbal medicine in the PRC and development the trading network in Thailand, Indonesia, Singapore, Korea and Malaysia, etc	10	-	10	-	10
Total	<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>50</u>

Note 1

As at 30 June 2024, the Company had no further plan to change the application of the remaining net proceeds for the purpose as disclosed. The Company intends to fully utilise the net proceeds from the Subscription and the Placing by 31 December 2025. In the previous years, the Group closely monitored the development progress of CBD-related business, but had deferred utilising the proceeds due to the potential regulatory uncertainties of CBD-related products.

Note 2

As disclosed in the annual report 2021/22, annual report 2022/23 and annual report 2023 of the Company (the "Annual Reports"), in light of the changes in the government policies with respect to the public discussion on ban of CBD products in Hong Kong and the overall market environment, the Company has reallocated its net proceeds from "expansion of CBD-based cosmetics and personal care product trading business" to "Repayment of interests derived from the Convertible Bonds". For further details, please refer to the section headed "Share Capital and Fund-Raising Activities" under Management Discussion and Analysis of the Annual Reports.

FUNDING AND TREASURY POLICY

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of its customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent events after 30 June 2024 and up to the date of this report.

PLEDGE OF ASSETS

As at 30 June 2024, no assets of the Group were pledged to secure general banking facilities granted to the Group (31 December 2023: nil).

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars, Euro or Renminbi, and most of the Group's cash and bank balances are deposited in Hong Kong dollars, US dollars, Euro or Renminbi with licensed banks in Hong Kong and the PRC. Certain portion of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and may consider hedging significant foreign exchange exposure if and when necessary.

COMMODITY PRICE RISK

The prices of commodity products are influenced by international and domestic market prices and changes in global supply and demand for such commodities. Both the international and domestic market prices of commodities as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may affect the revenue and comprehensive income of the Group. The Group did not engage in nor enter into any trading contracts and prices arrangements to hedge the risk of volatility of commodity prices.

EMPLOYEE REMUNERATION POLICY

As at 30 June 2024, the Group had 36 employees (31 December 2023: 34 employees). For the Reporting Period, the total salaries, commissions, incentives and all other staff related costs amounted to approximately HK\$7.0 million (the 2023 1H: approximately HK\$6.8 million). Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included defined contribution mandatory provident funds in accordance with local laws and regulations and medical insurance.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the Reporting Period, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2024. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, none of the Directors or chief executives of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which Directors have taken or deemed to have under such provisions of SFO); or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the following persons and entities (other than a Director or chief executives of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO:

Names of Shareholders	Capacity	Number of Shares held (long position)	Percentage of the total number of issued Shares
LUO GA	Interest in a controlled corporation	351,762,000 (Note 3)	5.17%
Gold Bricks Holdings Limited	Interest in a controlled corporation	351,762,000 (Note 3)	5.17%
Sunwah GreatWall Group Limited	Beneficial Owner	351,762,000 (Note 3)	5.17%
Yunnan Baiyao Group	Beneficial owner	1,908,025,360 (Note 2)	28.06%
Yunbaiyao Hong Kong Co., Limited	Beneficial owner	3,101,911,000 (Note 2)	45.62%
Shanghai International Trust Corp., Ltd. ("Shanghai Trust")	Trustee	1,937,984,496 (Note 1)	28.50%

Notes:

- The Company entered into a subscription agreement with Yunnan Baiyao Group on 14 October 2019 (the "Subscription Agreement"). Pursuant to the Subscription Agreement and the supplemental subscription agreements (collectively, the "Subscription Agreements"), the Company has conditionally agreed to issue, and Yunnan Baiyao Group has conditionally agreed to subscribe for, through its trustee, Shanghai Trust, the Convertible Bond (the "Subscription"). The completion of the Subscription took place on 30 October 2020 in accordance with the terms and conditions of the Subscription Agreements. The principal amount of the Convertible Bond was HK\$500 million with coupon rate of 3% per annum for 2 years. Under the Subscription, the Convertible Bond has been issued to Shanghai Trust, which subscribes and holds the Convertible Bond on behalf of and as a trustee of Yunnan Baiyao Group. Yunnan Baiyao Group remains as the beneficial owner of the Convertible Bond.

Based on the initial conversion price of HK\$0.258 per conversion share and assuming there is no other change in the issued share capital of the Company between the date of this report and the date of the full conversion of the Convertible Bond, 1,937,984,496 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bond, representing approximately 28.50% of the existing issued share capital of the Company. As at the date of this report, there has not been any exercise of any of the Convertible Bond.

For further details of the Subscription, please refer to the announcements of the Company dated 14 October 2019, 4 November 2019, 18 November 2019, 2 December 2019, 16 December 2019, 31 December 2019, 31 January 2020, 14 February 2020, 28 February 2020, 31 March 2020, 3 May 2020, 31 July 2020, 31 August 2020, 10 September 2020, 29 October 2020 and the circular of the Company dated 11 September 2020, respectively.

2. On 9 September 2021, New Huadu HK acquired 56,000,000 Shares (namely the Acquisition Shares, which comprise approximately 0.87% of the Shares in issue as at the date of the joint announcement) for a consideration of HK\$0.285 per Share on the secondary market. New Huadu HK is wholly-owned by New Huadu Industrial, which is held as to approximately 93.69% by Mr. Chen Fashu, through his shareholding in Xiamen New Huadu and through such shareholding held by him in his own capacity. Together with parties acting in concert with him, Mr. Chen Fashu holds approximately 25.04% of YNBY Group Co.. Yunbaiyao Hong Kong Co., Limited (the "Offeror") is an indirect wholly-owned subsidiary of YNBY Group Co.. Accordingly, the Offeror, Mr. Chen Fashu, New Huadu HK, Xiamen New Huadu, New Huadu Industrial and YNBY Group Co. are presumed to be parties acting in concert under the Takeovers Code. The Offeror and parties acting in concert with it were interested in 1,908,025,360 Shares, representing approximately 29.59% of the entire issued share capital of the Company. As a result of the Acquisition, the Offeror and parties acting in concert with it, became collectively interested in 1,964,025,360 Shares, representing approximately 30.46% of the total issued Shares immediately after the Acquisition and as at the date of the joint announcement. Pursuant to Rule 26.1 of the Takeovers Code, a mandatory conditional general offer in cash for all the issued Shares held by the Independent Shareholders is required to be made.

On 18 January 2022, the Offeror had received valid acceptances in respect of 3,101,911,000 Offer Shares under the Offer as at the date of such announcement. Taking into account the Acceptance Shares and Shares already owned by the Offeror and parties acting in concert with it, the Offeror and the parties acting in concert with it are interested in an aggregate of 5,065,936,360 Shares as at the date of such announcement.

Please refer to the announcements dated 11 November 2021, 15 December 2021, 4 January 2022 and 18 January 2022.

3. On 6 June 2022, 351,762,000 new ordinary shares of the Company have been issued and allotted to Sunwah GreatWall Group Limited under general mandate and pursuant to the terms of the subscription agreement dated 14 April 2022 (the "Subscription") (details of which are disclosed in the announcements of the Company dated 14 April 2022, 16 May 2022 and 6 June 2022). Sunwah GreatWall Group Limited is owned as to 99% by Gold Bricks Holdings Limited, which is in turn wholly-owned by Luo Ga. As such, each of Gold Bricks Holdings Limited and Luo Ga is deemed to be interested in the same number of shares of the Company held by Sunwah GreatWall Group Limited.

Save as disclosed above, as at 30 June 2024, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Group had in the Reporting Period complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviation:

Code Provision F.2.2

Code Provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting of the Company.

Mr. Dong Ming, the chairman of the Board, was unable to be attend the annual general meeting of the Company held on 16 May 2024 due to other important business engagement. Mr. Tang Ming, an Executive director, was appointed to preside over such annual general meeting at which he answered questions raised by the shareholders of the Company.

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 30 September 2013 has expired on 29 September 2023.

During the Reporting Period, no options were granted or exercised under the share option scheme.

As the Share Option Scheme expired on 29 September 2023, there is no share available for issue at the date of this interim report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the full set of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors. The prohibitions on securities dealing and disclosure requirements in the Model Code also apply to the Group’s senior management and persons who are privy to price sensitive information of the Group. All Directors confirmed to the Company that they have complied with the Model Code during the Reporting Period and up to the date of publication of this report.

BOARD DIVERSITY POLICY

With an aim to achieve diversity on the Board, the Board has approved and adopted a Board Diversity Policy (the “Policy”) and revision to the terms of reference of the nomination committee of the Company (the “Nomination Committee”) to ensure the appropriate implementation of the Policy. The Policy was made with a view to achieve a sustainable and balanced development of the Company, through the invitation and selection of different talents to join the Board having due regard to the importance of Board diversity.

The Company is committed to establishing procedures of candidates' selection based on a range of diversity perspectives including gender, age, cultural background, ethnicity, educational background, professional experience, skills and knowledge.

NOMINATION COMMITTEE

The Nomination Committee was established with specific terms of reference, whose purposes include the reviewing of the Board composition, advising the Board on the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The Company has adopted a nomination policy for Directors, details of which have been disclosed in the annual report of the Company for the year ended 31 December 2023.

During the Reporting Period, the Nomination Committee consisted of the following members:

Independent Non-executive Directors

Dr. Cecilia Wai Bing Pang (*re-elected on 16 May 2024*)

Dr. Cheung Hoi Yu

Mr. Wong Hin Wing

Executive Director

Mr. Dong Ming (*Chairman*)

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established by the Board with specific terms of reference, whose purposes include the reviewing of the remuneration of Directors and the remuneration policies of the Group.

During the Reporting Period, the Remuneration Committee consisted of the following members:

Independent Non-executive Directors

Dr. Cheung Hoi Yu (*Chairman*)

Dr. Cecilia Wai Bing Pang (*re-elected on 16 May 2024*)

Mr. Wong Hin Wing

Executive Director

Mr. Tang Ming

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") was established by the Board with specific terms of reference, whose purposes include the reviewing of the accounting principles and practices adopted by the Group and discussing auditing, internal control, risk management and financial reporting matters.

The interim results of the Company for the six months ended 30 June 2024 have not been audited by the Company's independent auditors. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the Reporting Period and is of the view that such financial information have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made with no disagreement by the Audit Committee.

During the Reporting Period, the Audit Committee consisted of the following Directors, of which Mr. Wong Hin Wing is a certified public accountant:

Independent Non-executive Directors

Mr. Wong Hin Wing (*Chairman*)

Dr. Cheung Hoi Yu

Dr. Cecilia Wai Bing Pang (*re-elected on 16 May 2024*)

Non-executive Director

Mr. Qian Yinghui

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors for the Reporting Period and up to the date hereof is set out below:

Mr. Wong Hin Wing's term of office as an Independent Non-executive Director of Jiangxi Bank Co., Ltd. (a H shares company listed on the Stock Exchange with stock code: 1916) expired on 13 August 2024. He was awarded the Justice of the Peace by the Government of the Hong Kong Special Administrative Region on 1 July 2024.

By Order of the Board

YNBY International Limited

Tang Ming

Executive Director & Chief Executive Officer

Hong Kong, 16 August 2024