



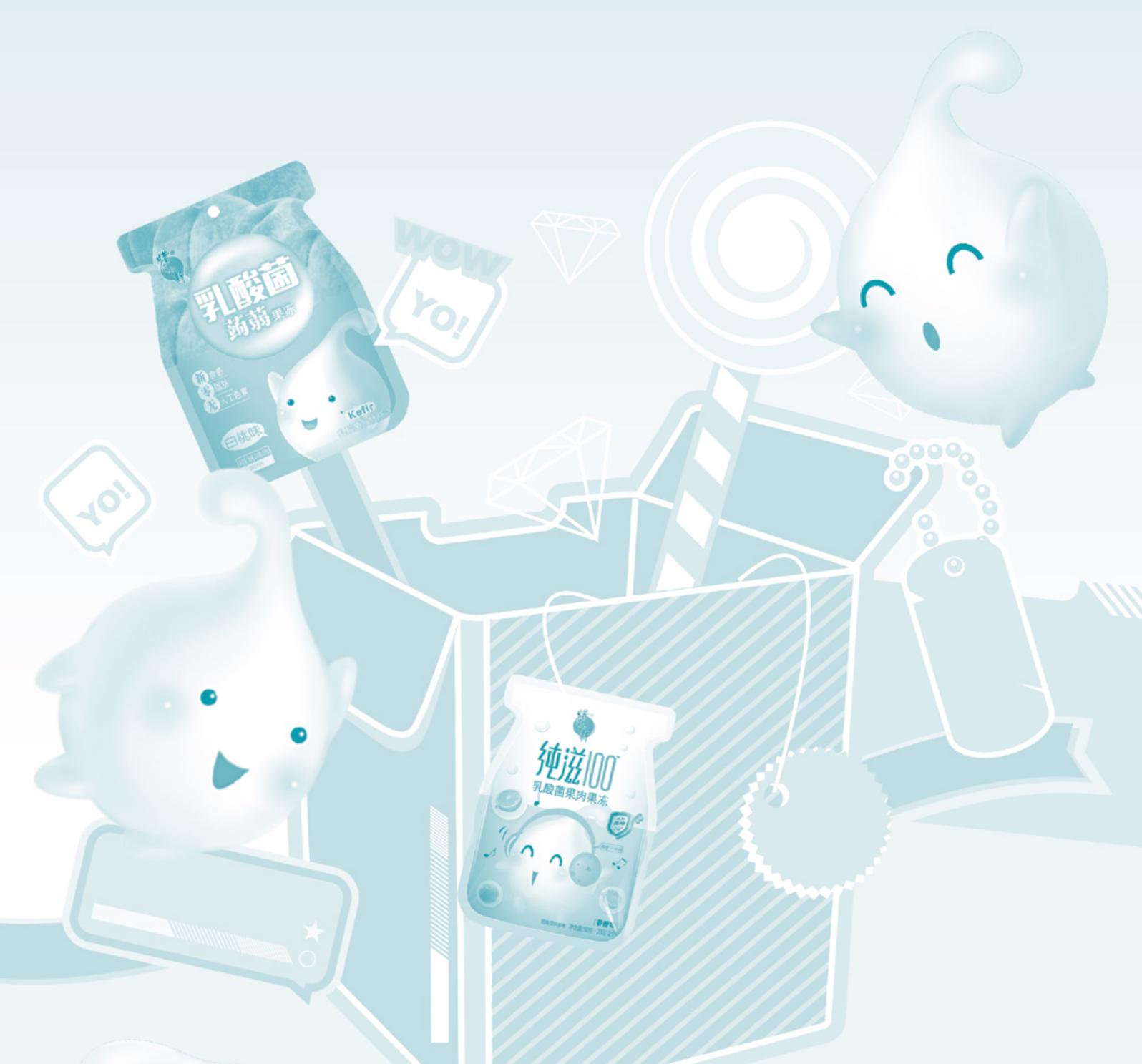
Labixiaoxin Snacks Group Limited
蜡笔小新休閒食品集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1262



INTERIM REPORT
2021



CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14
Other Information	31

CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Industrial Area
Jinjiang, Fujian
PRC

PLACE OF BUSINESS IN HONG KONG

Unit 2108, 21/F,
Island Place Tower,
510 King's Road,
North Point,
Hong Kong

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock code: 1262

COMPANY WEBSITE

<http://www.lbxxgroup.com>

(information contained in this website does not form part of this interim report)

BOARD OF DIRECTORS

Executive Directors

Zheng Yu Huan (*Chairman*)
Zheng Yu Shuang (*Chief Executive Officer*)
Zheng Yu Long

Non-Executive Director

Li Hung Kong (*Vice-Chairman*)

Independent Non-Executive Directors

Li Biao
Sun Kam Ching
Chung Yau Tong

COMPANY SECRETARY

Chan Yee Lok

AUTHORIZED REPRESENTATIVES

Zheng Yu Shuang
Chan Yee Lok

AUDIT COMMITTEE

Chung Yau Tong (*Chairman*)
Li Biao
Sun Kam Ching

REMUNERATION COMMITTEE

Sun Kam Ching (*Chairman*)
Zheng Yu Long
Chung Yau Tong

CORPORATE INFORMATION *(Continued)*

NOMINATION COMMITTEE

Li Biao (*Chairman*)
Zheng Yu Shuang
Chung Yau Tong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants and
Registered Public Interest Entity
Auditor
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

LEGAL ADVISOR

Sidley Austin
Level 39,
Two International Finance Centre
8 Finance Street
Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Construction Bank of China, Jinjiang Branch
Construction Bank Building,
Zeng Jin Area, Qing Yang,
Jinjiang, Fujian,
PRC

Ping An Bank Co., Ltd., Quanzhou Branch
1/F, Jun Yi Building, 311 Fengze Street,
Quanzhou, Fujian,
PRC

China CITIC Bank, Quanzhou Branch
1-2/F, Renmin Yinhang Building,
Quanzhou, Fujian,
PRC

FINANCIAL HIGHLIGHTS

Revenue

RMB'M



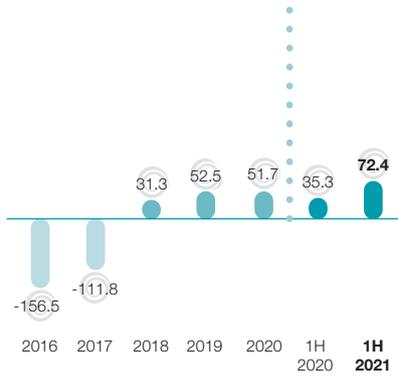
Gross Profit

RMB'M



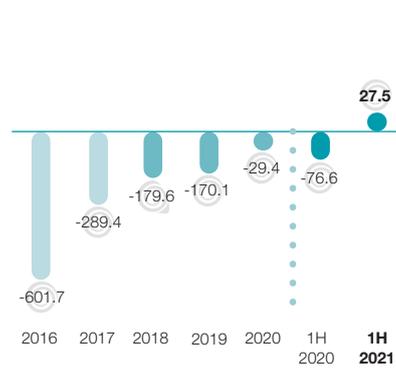
EBITDA/(LBITDA) (Note)

RMB'M



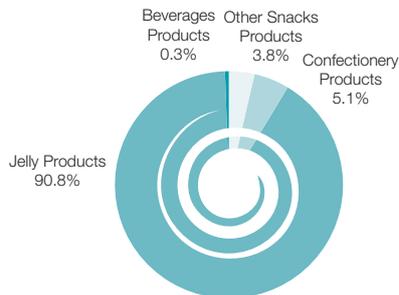
Net Profit/(Loss)

RMB'M

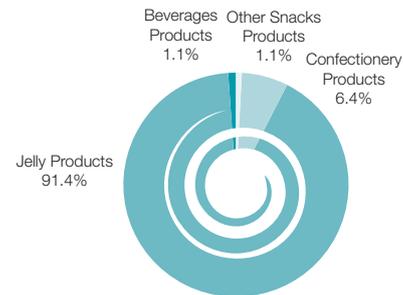


Revenue by Products

1H2021

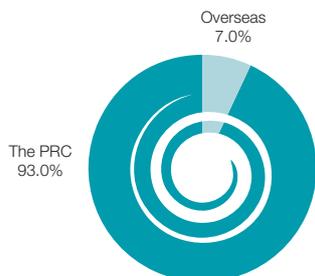


1H2020

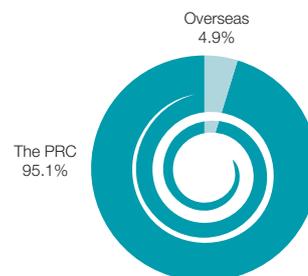


Revenue by Locations of End Customers

1H2021



1H2020



Note: EBITDA/(LBITDA) refers to earnings/(loss) before interests, income tax, depreciation, amortization, impairment loss of trade and other receivables, write-off of properties upon demolition, loss on remeasurement of asset classified as held for sales and non-cash share-based payments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2021, the Group has reported revenue of RMB361.4 million, representing an increase of approximately 44.5% as compared with the corresponding period of last year mainly due to increase in sales of jelly products and other snacks products by approximately 43.5% and 385.9% respectively. During the six months ended 30 June 2021, the consumer sentiment in the People's Republic of China ("PRC") has gradually recovered from the hit by the Novel Coronavirus ("COVID-19") outbreak. The Group's sales was positively affected by the recovery of the consumer sentiment and the removal of lock-up measures in the PRC.

For the six months ended 30 June 2021, the Group recorded a net profit of RMB27.5 million, as compared with the net loss of RMB76.6 million in the same period last year. The main reasons for such increase in the Group's net profit during the six months ended 30 June 2021 was mainly due to (i) an improvement in the gross profit by approximately RMB35.4 million mainly due to increase in revenue of jelly products; (ii) a gain on disposal of properties of approximately RMB13.4 million during the six months ended 30 June 2021; and (iii) no written-off of property, plant and equipment upon demolition in the six months ended 30 June 2021 (six months ended 30 June 2020: RMB66.0 million).

Revenue

Revenue increased by approximately 44.5% to RMB361.4 million in the first half of 2021 when compared with the same period in 2020. During the period under review, the Group's sales performance has been positively affected by the recovery of consumer sentiments and the removal of lock-up measures in the PRC. In addition, the Group has continued to exert immense efforts in developing its distribution network during the period which also boosted the sales performance. As at 30 June 2021, the Group had a total number of 915 distributors (30 June 2020: 900).

Jelly products

Revenue of jelly products increased by approximately 43.5% from RMB228.6 million in the first half of 2020 to RMB328.1 million in the first half of 2021. During the six months ended 30 June 2021, revenue attributable to jelly snacks increased by approximately 23.3% to RMB172.4 million while sales attributable to jelly beverages increased by approximately 75.3% to RMB155.7 million.

Confectionary products

Confectionary products recorded an increase in revenue during the six months ended 30 June 2021. Sales of confectionary products increased by approximately 16.2% from RMB16.0 million in the first half of 2020 to RMB18.6 million in the first half of 2021. The increase was mainly due to the recovery of consumer sentiments and the removal of lock-up measures in the PRC.

Beverages products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverages products of the Group decreased by approximately 56.6% to RMB1.2 million in the first half of 2021 as the Group continued to shift its focus from beverages products to core and more profitable jelly products.

Other snacks products

Revenue of other snacks products increased by approximately 385.9% to RMB13.5 million, mainly due to the Group has launched a new series of healthy bean curd products which was well-received by the customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Cost of Sales and Gross Profit

Cost of sales increased by approximately 48.1% to RMB233.7 million in the first half of 2021, mainly attributable to the corresponding increase in sales. The gross profit increased by approximately 38.3% to RMB127.7 million in the first half of 2021. The gross profit margin decreased slightly from 36.9% in the first half of 2020 to 35.3% in the first half of 2021 mainly due to an increase in cost of raw materials and packaging materials.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 38.6% to RMB50.7 million in the first half of 2021 primarily due to an increase in advertising and promotion expenses by approximately 36.7% to RMB24.3 million during the period under review to promote its new retail, e-commerce, social media and society distribution channels.

Administrative Expenses

Administrative expenses decreased by approximately 0.2% to RMB45.8 million in the first half of 2021 as compared with the same period in 2020.

Income Tax Expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Bermuda and British Virgin Islands ("BVI") are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the six months ended 30 June 2021 and 2020. The subsidiaries in the PRC are subject to income tax rate of 25% on their taxable profit during the period. The income tax expense during the period under review was mainly due to PRC income tax for the period net of the movements in deferred tax assets.

Net Profit/(Loss) for the Period

Net profit for the period was RMB27.5 million as compared to the net loss of RMB76.6 million for the six months ended 30 June 2020. Increase in the Group's net profit during the six months ended 30 June 2021 was mainly due to: (i) an improvement in the gross profit by approximately RMB35.4 million due to increase in revenue of jelly products; (ii) a gain on disposal of properties of approximately RMB13.4 million during the six months ended 30 June 2021; and (iii) no written-off of property, plant and equipment upon demolition in the six months ended 30 June 2021 (six months ended 30 June 2020: RMB66.0 million).

FINANCIAL REVIEW

Financial resources and liquidity

The Group mainly finances its operations and capital expenditures by cash and bank balances, operating cash flows and bank borrowings.

As at 30 June 2021, the bank balances and bank deposits amounted to RMB19.9 million which is RMB238.9 million less than the balance as at 31 December 2020. The decrease in bank balances and bank deposits was mainly due to the Group has repaid RMB84.5 million of bank borrowings and utilised RMB151.5 million for operating activities during the period under review.

As at 30 June 2021, the Group's gearing ratio (total borrowings divided by total equity) was 119.8% (As at 31 December 2020: 147.6%). The Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Cash flow

The Group recorded net cash outflow from operating activities of RMB151.5 million in the first half of 2021 (2020: RMB5.4 million) which is significantly more than the same period in last year. The significant increase in operating cash outflow for the period under review was mainly due to improvement in demand of the Group's products that both trade receivables and inventories are increased significantly. The Group has spent RMB9.9 million in investing activities in the first half of 2021 mainly for the upgrade of production lines of the production plants. The Group has net cash outflow from financing activities of RMB113.3 million in the first half of 2021 mainly due to the Group has repaid approximately RMB84.5 million bank borrowings during the period under review.

Capital expenditure

During the six months ended 30 June 2021, the Group incurred RMB9.9 million in capital expenditure mainly for the upgrade of production lines of the production plants.

Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. As at 30 June 2021, balance increased by RMB20.7 million from the beginning of the year. The inventories turnover days for the first half of 2021 and 2020 were 69 days and 61 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors. Balance increased by RMB85.7 million from the beginning of the year. The trade receivables turnover days for the first half of 2021 and 2020 were 173 days and 192 days, respectively. Subsequent to the period end and up to the date of this report, approximately RMB152.4 million of the trade receivables were settled by the wholesale distributors.

Asset classified as held for sale

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the "**Vendor**") and an independent third party (the "**Purchaser**") entered into the transfer agreement (the "**Transfer Agreement**"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the right-of-use assets located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the "**FJ Land Right**") for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the "**Jinjiang Construction**"), a company controlled by Jinjiang City People's Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Trade payables and bills payable

Trade payables mainly represent the balances due to the Group's suppliers who generally grant credit terms ranging from 30 days to 60 days to the Group. The Group also used bank bills to settle trade payables. As at 30 June 2021, bills payable of the Group amounting to RMB42.5 million were secured by pledged bank deposits of RMB25.0 million. As at 30 June 2021, the bills payable were with maturity period within 1 year.

Trade payables turnover days (including trade payables and bills payable) for the six months ended 30 June 2021 and 2020 were 87 days and 182 days respectively.

Foreign exchange fluctuations

The Group earns revenue and incur costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against Hong Kong dollar and US dollar. During the six months ended 30 June 2021, the Group did not enter into forward contracts to hedge the foreign exchange exposures as the directors of the Company (the "Directors") considered the financial benefits of such forward contracts may not outweigh their costs.

Charges on assets

As at 30 June 2021, no land and building of the Group was pledged as security for mortgage loan (31 December 2020: RMB6.0 million).

Contingent liabilities

As at 30 June 2021, the Group had no contingent liabilities (31 December 2020: Nil).

INTERIM DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

PROSPECT

During the six months ended 30 June 2021, the consumer sentiment in the PRC has gradually recovered from the hit by the COVID-19 outbreak. The Group's sales was positively affected by the recovery of the consumer sentiment and the removal of lock-up measures in the PRC. The Directors considered that the COVID-19 outbreak will continue to have short-term pressure on the Group's business. However, it may also lead to an upgrade and consolidation opportunities of the food industry. As such, the Directors consider this is a good opportunity for the Group to expand its market share.

To build a solid foundation, the Group has formulated a mid-to-long term growth strategy. In year 2020, the Group had planned to expand its new retail, e-commerce, social media and society distribution channels and this strategy will continue in the next couple of years. In addition, the Group will also continue to adjust and upgrade its product portfolio to meet the demand of different customers.

While the near-term outlook for the snacks products sector of the PRC remains challenging, the country's ongoing economic reforms and the continuous expansion of middle and upper class population will propel continuous growth in retail consumption in the long run. Therefore, the Directors are cautiously optimistic to the long term development of the Group's business.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	4	361,351	250,063
Cost of sales		(233,660)	(157,723)
Gross profit		127,691	92,340
Other income	5	5,979	2,361
Other gain/(loss), net	6	13,291	(71)
Allowance under expected credit losses model, net of reversal		(6,052)	(3,397)
Written-off of property, plant and equipment		–	(65,980)
Selling and distribution expenses		(50,680)	(36,565)
Administrative expenses		(45,803)	(45,900)
Operating profit/(loss)		44,426	(57,212)
Finance incomes		382	858
Finance costs		(16,172)	(20,529)
Finance costs, net	7	(15,790)	(19,671)
Profit/(loss) before taxation	8	28,636	(76,883)
Taxation	9	(1,159)	246
Profit/(loss) and total comprehensive gain/(loss) for the period		27,477	(76,637)
Profit/(loss) per share attributable to equity holders of the Company			
(RMB per share)	10		
– Basic		0.021	(0.058)
– Diluted		0.021	(0.058)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	12	92,998	94,238
Property, plant and equipment	12	287,911	298,762
Deposits for property, plant and equipment		45,337	45,455
Deferred income tax assets		86,285	85,390
		512,531	523,845
Current assets			
Inventories		84,256	63,581
Trade receivables	13	383,329	297,633
Prepayments and other receivables		206,027	158,424
Pledged bank deposits	14	24,978	40,916
Cash and cash equivalents		19,892	258,839
		718,482	819,393
Asset classified as held for sale	15	180,000	186,002
		898,482	1,005,395
Total assets		1,411,013	1,529,240

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2021

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		470,030	470,030
Reserves		25,291	(2,186)
Total equity		495,321	467,844
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		15,846	15,846
		15,846	15,846
Current liabilities			
Trade and other payables	16	341,946	382,595
Bank borrowings	17	557,900	642,443
Tax payable		–	20,512
		899,846	1,045,550
Total liabilities		915,692	1,061,396
Total equity and liabilities		1,411,013	1,529,240
Net current liabilities		(1,364)	(40,155)
Total assets less current liabilities		511,167	483,690

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Unaudited Share option reserves RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2021	470,030	615,656	(87,600)	170,163	5,328	(41)	-	(705,692)	467,844
Profit and total comprehensive gain for the period	-	-	-	-	-	-	-	27,477	27,477
Balance as at 30 June 2021	470,030	615,656	(87,600)	170,163	5,328	(41)	-	(678,215)	495,321
Balance as at 1 January 2020	470,030	615,656	(87,600)	170,995	11,256	(41)	-	(683,049)	497,247
Loss and total comprehensive loss for the period	-	-	-	-	-	-	-	(76,637)	(76,637)
Balance as at 30 June 2020	470,030	615,656	(87,600)	170,995	11,256	(41)	-	(759,686)	420,610

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operations	(128,934)	(5,388)
Income tax paid	(22,567)	–
Net cash used in operating activities	(151,501)	(5,388)
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,880)	(2,262)
Deposits paid for property, plant and equipment	–	(1,679)
Proceed from disposal of property, plant and equipment	19,369	–
Decrease in pledged bank deposits	15,938	35,279
Interest received	382	858
Net cash generated from investing activities	25,809	32,196
Cash flows from financing activities		
Proceeds from shareholder's loan	–	5,275
Repayment of shareholder's loan	(12,628)	–
Proceeds from borrowings	254,600	509,290
Repayments of borrowings	(339,055)	(491,268)
Interest paid	(16,172)	(20,529)
Net cash (used in)/generated from financing activities	(113,255)	38,047
Net (decrease)/increase in cash and cash equivalents	(238,947)	29,578
Cash and cash equivalents at the beginning of the period	258,839	24,833
Cash and cash equivalents at the end of the period	19,892	54,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1 GENERAL INFORMATION

Labixiaoxin Snacks Group Limited (the “**Company**”) was incorporated in Bermuda on 4 May 2004 and domiciled in Bermuda. The Company’s immediate and ultimate holding company is Alliance Food and Beverages (Holding) Company Limited, a company incorporated in the British Virgin Islands (the “**BVI**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Wuli Industrial Area, Jinjiang Fujian, the People’s Republic of China (the “**PRC**”) (中國福建晉江市五里工業園區).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are manufacturing and sale of jelly products, confectionary products, beverages products and other snacks products.

The Company’s shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 December 2011. The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), which is also the functional currency of the Company, unless otherwise stated. The condensed consolidated interim financial information has been approved for issued by the board of directors (the “**Board**”) on 31 August 2021 and the condensed interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

The Group generated a net profit of approximately RMB27,477,000 (six months ended 30 June 2020: net loss of approximately RMB76,637,000) for the six months ended 30 June 2021. As at 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately RMB1,364,000 (As at 31 December 2020: approximately RMB40,155,000).

The Directors have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2021. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Notwithstanding the above results, the condensed consolidated interim financial information have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)***2 BASIS OF PREPARATION** *(Continued)***(1) Financial support from substantial shareholder**

Mr. Zheng Yu Long, the substantial shareholder of the Company who have already provided the aggregate amount of approximately RMB35,669,000 loan from a loan facility of RMB60,000,000 to the Group, has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 30 June 2021.

(2) Disposal of the land

The Group is in the process of completion of the disposal of the land located at Jinjiang Food Industrial Park (晉江市食品產業園) with a total site area of approximately 126,981 square meters together with the buildings thereon with an aggregate site area of approximately 148,271 square meters.

(3) Alternative sources of external funding

The Group will take steps to obtain external funding in order to improve the working capital and liquidity and cash flow position of the Group.

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020, except as mentioned below.

In the current period, the Group has applied the following amendments to IFRSs ("**Amendments**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of these unaudited condensed consolidated interim financial information:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
IFRS 16 (Amendments)	Covid-19-Related Rent Concessions

The application of the Amendments had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: *(Continued)*

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risks (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

4 SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sale of jelly products, confectionary products, beverages products and other snacks products.

The chief operating decision-maker (the "**CODM**") has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business by products and assesses the performance of the following operating segments:

- i. Jelly products
- ii. Confectionary products
- iii. Beverages products
- iv. Other snacks products

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

4 SEGMENT INFORMATION (Continued)

The CODM assesses the performance of the operating segments based on measure of segment results without allocation of corporate income and corporate expenses including directors' emoluments, headquarters staff costs and finance costs. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements. The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six months ended 30 June 2021 and 2020, none of the individual customer account for 10% or more of the Group's external revenue. As at 30 June 2021 and 31 December 2020, majority of the Group's assets, liabilities and capital expenditure are located or utilised in the PRC.

	Unaudited Six months ended 30 June 2021				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Revenue					
Sales to external customers	328,083	18,574	1,157	13,537	361,351
Cost of sales	(211,374)	(12,873)	(895)	(8,518)	(233,660)
Gross profit	116,709	5,701	262	5,019	127,691
Results of reportable segments	70,754	2,986	102	3,168	77,010

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

4 SEGMENT INFORMATION (Continued)

A reconciliation of results of reportable segments to profit for the period is as follows:

	Unaudited				
	Six months ended 30 June 2021				
	Jelly products	Confectionary products	Beverages products	Other snacks products	Reportable segments total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results of reportable segments					77,010
Corporate income					5,979
Gain on disposal of properties					13,363
Corporate expenses					(51,926)
Operating profit					44,426
Finance income					382
Finance costs					(16,172)
Profit before taxation					28,636
Taxation					(1,159)
Profit for the period					27,477
Amounts included in the measure of segment profit or loss:					
Depreciation of right-of-use assets	772	-	468	-	1,240
Depreciation of property, plant and equipment	20,295	-	50	386	20,731

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

4 SEGMENT INFORMATION (Continued)

	Unaudited				
	Six months ended 30 June 2020				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Revenue					
Sales to external customers	228,621	15,988	2,668	2,786	250,063
Cost of sales	(141,434)	(12,569)	(1,768)	(1,952)	(157,723)
Gross profit	87,187	3,419	900	834	92,340
Results of reportable segments	53,707	1,129	506	433	55,775

A reconciliation of results of reportable segments to loss for the period is as follows:

	Unaudited				
	Six months ended 30 June 2020				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Results of reportable segments					55,775
Corporate income					2,361
Written-off of property, plant and equipment					(65,980)
Corporate expenses					(49,368)
Operating loss					(57,212)
Finance income					858
Finance costs					(20,529)
Loss before taxation					(76,883)
Taxation					246
Loss for the period					(76,637)

Amounts included in the measure of segment profit or loss:

Depreciation of right-of-use assets	1,191	–	468	–	1,659
Depreciation of property, plant and equipment	24,366	–	371	115	24,852

Geographic information

No geographic information has been presented as all of the Group's operating activities are carried out in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

5 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Rental income	1,609	1,393
Government subsidy	2,504	–
Sundry income	1,818	517
Gain on sale of scrap materials	48	451
	5,979	2,361

6 OTHER GAIN/(LOSS), NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Gain on disposal of properties	13,363	–
Net exchange loss	(72)	(71)
	13,291	(71)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

7 FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance costs:		
Interest expenses on bank borrowings	(15,794)	(20,118)
Interest expenses on loan from a director	(378)	(411)
Total finance costs	(16,172)	(20,529)
Finance income:		
Interest income on bank deposits	382	858
Total finance income	382	858
Finance costs, net	(15,790)	(19,671)

8 PROFIT/(LOSS) BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of inventory sold	207,564	149,081
Advertising and promotion expenses	24,270	17,751
Freight and transportation expenses	2,304	992
Staff costs (including directors' remunerations)		
– Salaries and bonuses	49,143	39,268
– Employer's contribution to defined contribution plans	1,713	689
Depreciation of property, plant and equipment	20,731	24,852
Depreciation of right-of-use assets	1,240	1,659
Allowance under expected credit losses model, net of reversal	6,052	3,397
Written-off of property, plant and equipment	–	65,980

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

9 TAXATION

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax – PRC Enterprise Income Tax	2,055	–
Deferred income tax, net	(896)	(246)
Income tax charged/(credited) to profit or loss	1,159	(246)

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at rate of 25% (2020: 25%) on taxable profit of the Group's PRC subsidiaries during the six months ended 30 June 2021.

Hong Kong Profits Tax, Bermuda and BVI income tax

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 rate regime. The Bill was signed into law on 28 March 2019 and was gazette 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 Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both the six months ended 30 June 2021 and 2020.

No provision of Hong Kong Profits Tax, Bermuda and BVI Income Tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

10 PROFIT/(LOSS) PER SHARE**(a) Basic profit/(loss) per share**

Basic profit/(loss) per share is calculated by dividing the net profit/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Net profit/(loss) attributable to the equity holders of Company (RMB'000)	27,477	(76,637)
Weighted average number of ordinary shares in issue for basic profit/(loss) per share ('000)	1,328,977	1,328,977
Basic profit/(loss) per share (RMB per share)	0.021	(0.058)

(b) Diluted profit/(loss) per share

The computation of diluted profit/(loss) per share does not include the Company's outstanding share options and the outstanding warrants because their effects were anti-dilutive. Therefore, the diluted profit/(loss) per share of the Company is the same as the basic profit/(loss) per share.

11 DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

12 CAPITAL EXPENDITURE

	Right-of-use assets RMB'000	Unaudited Property, plant and equipment RMB'000	Total RMB'000
Six months ended 30 June 2021			
Cost			
As at 1 January 2021	123,938	1,562,626	1,686,564
Additions	–	9,880	9,880
As at 30 June 2021	123,938	1,572,506	1,696,444
Accumulated depreciation			
As at 1 January 2021	29,700	1,263,864	1,293,564
Depreciation	1,240	20,731	21,971
As at 30 June 2021	30,940	1,284,595	1,315,535
Net book value			
As at 30 June 2021	92,998	287,911	380,909

The land use rights of the Group are located in the PRC which the leasehold periods were 50 years.

As at 31 December 2020, land and building of the Group in Hong Kong with net book value of RMB6,002,000 was pledged as security for a mortgage loan.

As at 31 December 2020, buildings of the Group in the PRC with net book value of RMB102,953,000 and land use rights in the PRC of RMB41,940,000 were pledged as security for short-term bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

12 CAPITAL EXPENDITURE (Continued)

	Right-of-use assets RMB'000	Unaudited Property, plant and equipment RMB'000	Total RMB'000
Six months ended 30 June 2020			
Cost			
As at 1 January 2020	165,820	1,766,169	1,931,989
Additions	–	2,262	2,262
As at 30 June 2020	165,820	1,768,431	1,934,251
Accumulated depreciation			
As at 1 January 2020	38,110	1,260,525	1,298,635
Depreciation	1,659	24,852	26,511
Written-off	–	65,980	65,980
As at 30 June 2020	39,769	1,351,357	1,391,126
Net book value			
As at 30 June 2020	126,051	417,074	543,125

13 TRADE RECEIVABLES

The Group's revenue are generally on credit term of 180 days (2020: 180 days). As at 30 June 2021, the ageing analysis of trade receivables, based on invoice date, and net of allowance for credit losses, is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Less than 30 days	60,461	82,475
31 days – 90 days	85,339	31,964
91 days – 180 days	71,016	48,471
Over 180 days	166,513	134,723
	383,329	297,633

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

14 PLEDGED BANK DEPOSITS

As at 30 June 2021, pledged bank deposits of the Group of approximately RMB24,978,000 (31 December 2020: RMB40,916,000) were with initial terms of over three months and pledged to banks as security for bills payable.

The weighted average effective interest rate of these bank deposits as at 30 June 2021 was 0.74% per annum (31 December 2020: 0.74% per annum). The carrying amounts of pledged bank deposits approximate their fair values.

15 ASSET CLASSIFIED AS HELD FOR SALE

On 15 May 2019, an indirect wholly-owned subsidiary of the Company (the “Vendor”) and an independent third party (the “Purchaser”) entered into the transfer agreement (the “Transfer Agreement”), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the right-of-use assets located in Jinjiang Food Industrial Park in Jinjiang City, Fujian Province, the PRC (the “FJ Land Right”) for a consideration of RMB180,000,000. Pursuant to the Transfer Agreement, both the Vendor and the Purchaser will liaise with Fujian Jinjiang Industrial Park Construction and Development Company Limited (the “Jinjiang Construction”), a company controlled by Jinjiang City People’s Government, regarding the transfer of the FJ Land Right. The Vendor will arrange for the termination of the FJ Land Right with Jinjiang Construction and the Purchaser will enter into an agreement with Jinjiang Construction regarding the new pre-registration contractual right to acquire the FJ Land Right. For more details, please refer to the announcement dated 15 May 2019.

Pursuant to the Extension Announcement dated on 30 June 2021, as additional time is required by the Purchaser and Vendor for the fulfilment of the conditions precedent to the Transfer Agreement, the Long Stop Date shall be further extended to 31 December 2021.

16 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Trade payables	43,040	35,387
Bills payable (Note (i))	42,500	81,300
Accrued sales rebates	7,365	9,694
Other accrued expenses	16,486	28,606
Directors’ fees and emoluments payable	16,941	15,731
Loan from a director (Note (ii))	35,669	48,298
Other payables and sundry creditors (Note (iii))	179,945	163,579
	341,946	382,595

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

16 TRADE AND OTHER PAYABLES (Continued)

Notes:

- (i) Bills payable amounting to approximately RMB42,500,000 (31 December 2020: RMB81,300,000) were secured by pledged bank deposits of approximately RMB24,978,000 (31 December 2020: RMB40,916,000). The bills payable were with maturity period of within 1 year.
- (ii) As at 30 June 2021, the Company has drawn down an aggregate amount of approximately RMB35,669,000 (31 December 2020: RMB48,298,000) from a loan facility of RMB60,000,000 (31 December 2020: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.
- (iii) As at 30 June 2021, the Group received RMB70,000,000 (31 December 2020: RMB70,000,000) deposit of the assets classified as held for sale from the Purchaser in accordance with the terms of the Transfer Agreement.

The credit periods granted by suppliers generally range from 30 to 60 days. As at 30 June 2021, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Less than 30 days	22,722	25,031
31 days – 90 days	18,645	6,996
Over 90 days	1,673	3,360
	43,040	35,387

The carrying amounts of trade and other payables approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

17 BANK BORROWINGS

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Secured bank borrowings	400,900	460,943
Unsecured bank borrowings	157,000	181,500
Total bank borrowings	557,900	642,443
Carrying amount of bank borrowings wholly repayable:		
On demand or within 1 year	557,900	642,443
	557,900	642,443

As at 30 June 2021, the short-term secured bank borrowings of approximately RMB130,000,000 (31 December 2020: RMB150,000,000) were secured by corporate guarantee by the Group's PRC subsidiaries, and the supplier of the Company. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.5% (31 December 2020: 5.00%) which was repricing every 12 months.

As at 30 June 2021, the short-term secured bank borrowings of approximately RMB96,800,000 (31 December 2020: RMB98,800,000) were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan, directors of the Company, and the wife of Mr. Zheng Yu Shuang. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 6.16% (31 December 2020: 5.36% to 5.66%) per annum.

As at 30 June 2021, the short-term unsecured bank borrowings of approximately RMB157,000,000 (31 December 2020: RMB176,100,000) were repayable within 12 months and charged at fixed interest rates ranging from 4.85% to 5.72% (31 December 2020: 4.15% to 6.80%) per annum.

As at 30 June 2021, the short-term secured bank borrowings of approximately RMB145,000,000 (31 December 2020: RMB145,000,000) were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, and the supplier of the Company. The bank borrowings were repayable within 12 months and charged at fixed interest rates of 5.72% (31 December 2020: 5.00% to 5.22%) which was repricing every 3 months.

As at 30 June 2021, the short-term secured bank borrowings of approximately RMB29,100,000 (31 December 2020: RMB6,500,000) were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, and the customer of the Company. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 6.8% (31 December 2020: 6.8%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

17 BANK BORROWINGS (Continued)

As at 31 December 2020, the short-term unsecured bank borrowings of approximately RMB5,400,000 were repayable within 12 months and charged at floating interest rate of 5.66% which was repricing every 12 months.

As at 31 December 2020, the short-term secured bank borrowings of approximately RMB49,590,000 were secured by corporate guarantee by the Group's PRC subsidiaries and land and buildings in the PRC of approximately RMB102,953,000. The bank borrowings were repayable within 12 months and charged at floating interest rate of 5.66% which was repricing every 3 months.

As at 31 December 2020, the short-term secured bank borrowings of approximately RMB9,800,000 were secured by corporate guarantee by the Group's PRC subsidiaries and personal guarantees of Mr. Zheng Yu Shuang and Mr. Zheng Yu Huan, directors of the Company, and the related company. The bank borrowings were repayable within 12 months and charged at fixed interest rate of 6.8% per annum.

As at 31 December 2020, the bank borrowing of HKD1,550,000 (equivalent to approximately RMB1,253,000) was secured by the land and buildings of approximately RMB6,002,000 and charged at a floating interest rate of HIBOR + 2.25% which was repricing every month.

18 COMMITMENTS**Capital commitments**

As at 30 June 2021, the Group had the following capital commitments in respect of land use right and property, plant and equipment:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Authorised but not contracted for		
– Land use right	50,000	50,000
Contracted but not provided for		
– Property, plant and equipment	–	–
	50,000	50,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the condensed consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Key management personnel compensation:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Directors' fee	304	376
Salaries and other employee benefits	2,115	2,148
	2,419	2,524

(b) Loan from a director

As at 30 June 2021, the Company has drawn down an aggregate amount of approximately RMB35,669,000 (31 December 2020: RMB48,298,000) from a loan facility of RMB60,000,000 (31 December 2020: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

(c) Personal guarantee provided by directors

Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, have provided personal guarantee to bank borrowings of the Group of approximately RMB270,900,000 (31 December 2020: RMB260,100,000). The bank borrowings are repayable within one year.

20 EVENT AFTER THE REPORTING PERIOD

There were no significant events that have occurred subsequent to the end of the reporting period.

OTHER INFORMATION

SHARE OPTION SCHEMES

(a) Original Share Option Scheme

On 23 September 2011, the Company conditionally adopted a share option scheme (the “**Original Share Option Scheme**”) whereby the board of Directors (the “**Board**”) can grant options for the subscription of shares of the Company (the “**Shares**”) to any Directors, employees and officers of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group who the Board considers that they will contribute or have contributed to the Group (the “**Original Eligible Participants**”) as described in the Original Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Original Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing which was 112,560,000 Shares, representing 8.5% of the issued share capital of the Company as at the date of this Interim Report. The total number of Shares which may be issued upon exercise of all the options granted and yet to be exercised under the Original Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the Shares in issue from time to time. Unless otherwise approved by the shareholders of the Company, the number of Shares that may be granted to an Original Eligible Participant (including both exercised, cancelled and outstanding options) under the Original Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the Shares in issue. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share on the date of grant. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Original Share Option Scheme shall take effect from the date it is granted and shall remain effective within a period of 10 years from that relevant date of grant.

Movements of the share options granted under the Original Share Option Scheme

No options have been granted during the six months ended 30 June 2021 (2020: Nil).

Movement of the share options during the six months ended 30 June 2021 are as follows:

Grantee and position	Number of ordinary shares subject to share options granted under the Original Share Option Scheme				
	Outstanding	Granted	Exercised	Lapsed	Outstanding
	as at 1 January 2021	during the period ended 30 June 2021	during the period ended 30 June 2021	during the period ended 30 June 2021	as at 30 June 2021
Other employees	30,000,000	-	-	-	30,000,000

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEMES *(Continued)*

(b) New Share Option Scheme

On 23 June 2021, the Company conditionally adopted a new share option scheme (the “**New Share Option Scheme**”) whereby the Board can grant options for the subscription of Shares to any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Company or any of its subsidiaries; and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board will contribute or have contributed to the Company and/or any of its subsidiaries (the “**Eligible Participants**”) and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. To be an Eligible Participant, the over-riding principle is that the person must have contributed or will contribute to the Group. The scope of Eligible Participants under the New Share Option Scheme is in line with the Original Eligible Participants of the Original Share Option Scheme.

The terms of the New Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules, which governs the terms of the share option schemes of listed companies and their subsidiaries. The maximum number of Shares that can be issued according to the New Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the adoption of the New Share Option Scheme which was 132,897,700 Shares, representing 10% of the issued share capital of the Company as at the date of this Interim Report. The total number of Shares which may be issued upon exercise of all the options granted and yet to be exercised under the New Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the Shares in issue from time to time. Unless otherwise approved by the shareholders of the Company, the number of Shares that may be granted to a Eligible Participant (including both exercised, cancelled and outstanding options) under the New Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the Shares in issue. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share on the date of grant. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The New Share Option Scheme shall take effect from the date it is granted and shall remain effective within a period of 10 years from that relevant date of grant.

No options have been granted under the New Share Option Scheme during the six months ended 30 June 2021.

OTHER INFORMATION *(Continued)*

INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2021, the interest and short positions of the Directors and the chief executives and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (a) which 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 interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the “Model Code”), are as follows:

(i) Long position in shares and underlying shares of the Company

Name of Director/ Chief Executive	Nature of Interest	Number of shares interested	Approximate percentage of interest in the Company	Note
Zheng Yu Long	Interest of a controlled corporation	610,915,527	45.97%	1
	Beneficial owner	119,935,060	9.02%	2
Zheng Yu Shuang	Interest of a controlled corporation	610,915,527	45.97%	1
Zheng Yu Huan	Interest of a controlled corporation	610,915,527	45.97%	1
Li Hung Kong	Interest of a controlled corporation	610,915,527	45.97%	1

Note:

- (1) The 610,915,527 Shares are beneficially owned by Alliance Food And Beverages (Holding) Company Limited (“Alliance Holding”), a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the shares held by Alliance Holding for the purpose of the SFO.
- (2) In addition to the 610,915,527 Shares held through Alliance Holding, Zheng Yu Long is also personally and beneficially interested in 119,935,060 Shares.

OTHER INFORMATION (Continued)

(ii) Long position in shares and underlying shares of the associated corporation

Name of Director	Name of associated corporation	Total number of shares held in associated corporation	Approximate percentage of issued share capital of associated corporation
Zheng Yu Long	Alliance Holding	28	28%
Zheng Yu Shuang	Alliance Holding	28	28%
Zheng Yu Huan	Alliance Holding	28	28%
Li Hung Kong	Alliance Holding	16	16%

Save as disclosed above, as at 30 June 2021, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), (a) which 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 they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2021, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholder	Beneficial owner	Interest of a controlled corporation	Investment manager	Security interest	Total interest in shares	Approximate percentage of shareholding	Note
Alliance Holding	610,915,527	-	-	-	610,915,527(L)	45.97%	2
Zheng Yu Long	119,935,060	610,915,527	-	-	730,850,587(L)	54.99%	2
Zheng Yu Shuang	-	610,915,527	-	-	610,915,527(L)	45.97%	2
Zheng Yu Huan	-	610,915,527	-	-	610,915,527(L)	45.97%	2
Li Hung Kong	-	610,915,527	-	-	610,915,527(L)	45.97%	2

Notes:

- (1) The letter "L" denotes the person's long position in such securities and the letter "S" denotes the person's short position in such securities.
- (2) The 610,915,527 Shares are beneficially owned by Alliance Holding, a company which is owned as to 28% by each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and as to 16% by Li Hung Kong. Accordingly, each of Zheng Yu Long, Zheng Yu Shuang, Zheng Yu Huan and Li Hung Kong is deemed to be interested in the Shares held by Alliance Holding for the purpose of the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2021.

OTHER INFORMATION *(Continued)*

CONNECTED TRANSACTION

As at 30 June 2021, the Company has drawn down an aggregate amount of approximately RMB35,669,000 (31 December 2020: RMB48,298,000) from a loan facility of RMB60,000,000 (31 December 2020: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

Under the Listing Rules, Mr. Zheng Yu Long is a connected person to the Company and the loan facility constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since such transaction is conducted on normal commercial terms or better and is not secured by the assets of the Group, it is fully exempt from Shareholders' approval, annual review and all disclosure requirements according to Rule 14A.90 of the Listing Rules.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the Group had approximately 1,170 employees and total remuneration expenses for the six months ended 30 June 2021 amounted to RMB50.9 million. The employees' salaries are reviewed and adjusted annually based on employee's performance and experience. The Group's employee benefits include performance bonus, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the period ended 30 June 2021. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the date of this Interim Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the period under review.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Chung Yau Tong (chairman), Mr. Li Biao and Ms. Sun Kam Ching.

The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2021.

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2021, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set forth therein the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. The Company has made specific enquiries with all directors of the Company and all the directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the six months ended 30 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float throughout the period for the six months ended 30 June 2021.