

# 嘉士利®

## 嘉士利集團有限公司 JIASHILI GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 1285

# 2022 INTERIM REPORT





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# FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of Jiashili Group Limited (the “Company” or “Jiashili”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”, “we” or “our”) for the six months ended June 30, 2022 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2021.

## SUMMARY OF FINANCIAL RESULTS

(All amounts are expressed in thousands of Renminbi (“RMB”) except per share data)

	For the six months ended June 30,		
	(Unaudited)		
	2022	2021	Change
Revenue	<b>742,783</b>	707,796	+4.9%
Gross profit	<b>176,444</b>	219,497	-19.6%
Earnings before interest, tax, depreciation and amortisation* (EBITDA)	<b>48,236</b>	159,364	-69.7%
(Loss)/profit attributable to owners of the Company	<b>(816)</b>	104,235	-100.8%
(Loss)/earnings per share — basic and diluted (RMB cents)	<b>(0.20)</b>	25.12	-100.8%

  

	As at		Change
	June 30, 2022	December 31, 2021	
	(Unaudited)	(Audited)	
Total assets	<b>2,058,231</b>	2,093,415	-1.7%
Total liabilities	<b>1,096,094</b>	1,111,587	-1.4%
Total equity	<b>962,137</b>	981,828	-2.0%

\* Include profit/loss before tax but excluding finance costs and total depreciation and amortisation.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

## PERFORMANCE REVIEW

The Group has shown great resilience over the last two and a half years and despite the challenges of the COVID-19 pandemic and rising prices of raw materials, the business has emerged stronger than before and better equipped for future challenges. In managing through this difficult period, we have demonstrated the ability to operate while facing the current challenges. We will continue to adapt our business to address market challenges. The Group's revenue has increased by 4.9% to approximately RMB742.8 million as compared with the same period in 2021. Whereas loss attributable to owners of the Company for the Reporting Period amounted to approximately RMB0.82 million decreased by 100.8% year-on-year mainly due to the (i) unfavorable impacts of rising costs of raw materials completely outweigh the rising prices of the Company's products and additional compensations and subsidies to employees and workers in view of the COVID-19 spread in the Reporting Period; and (ii) increase in additional impairment provisions under expected credit loss model in the Reporting Period due to the increase in credit risks on existing loans and receivables. The EBITDA margin was 6.5% for the Reporting Period (2021: 22.5%).

As a result of the sharp increases in our costs of raw materials in the first half of the year, particularly for palm oils and flours, Jiashili had to raise sales prices to our distributors — despite our substantial efforts to improve efficiency. When we implement price increases, there is usually a time lag between the effective date of the list price increases and the impact of the price increases on our sales, in part because we typically honor previous commitments to our highly regarded distributors and customer promotions and merchandising events subsequent to the effective date of the price increases. In addition, promotional allowances may be increased subsequent to the effective date, delaying or partially offsetting the impact of price increases on our net sales.

Many of our confectionery brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace in China. We sell our brands in highly competitive markets with many other global multinational, national, regional and local firms. Some of our competitors are large companies with significant resources and substantial international operations. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing and promotional activity, the ability to identify and satisfy consumer preferences, as well as convenience and service. We have also experienced increased competition from other snack items, and through innovation and acquisitions, we are continuing to expand the boundaries of our brands to capture new snacking occasions. In the second quarter of 2022, the Company has established a non-wholly owned subsidiary engaged in manufacturing and selling of stable sugar rice (“wentang mi, 穩糖米”), this product is principally designed for consumers who require to control blood sugar level or want to control body weight. We believed the launch of this new product will broaden our existing products portfolio and will generate more income to the Group.

## CULTURE AND STAKEHOLDER ENGAGEMENT

The pandemic has taught us some valuable lessons and underlined the importance of our missions and values in everything we do. Our strategy is working and we are confident that we are in a strong position for the challenges and opportunities ahead. As the effects of the COVID-19 pandemic continue to present themselves, the Board remains focused on ensuring that Jiashili is a successful, socially-purposeful company, making long-term decisions for the benefit of all our stakeholders.

## Chairman's Statement

The effects of the COVID-19 pandemic are widespread and will not be short-lived. The events of the last two and a half years have had a fundamental impact on the way businesses across the globe have operated, and Jiashili is no exception. The pandemic has highlighted that missions and values alone is not enough to effect meaningful change. Our people and our culture are crucial to our success, and our employees have remained connected to our missions and values throughout the pandemic. This is reflected in their commitment to the Company and the work to society under COVID-19 period is truly inspirational. Our response to the pandemic considered all stakeholders, encompassed in our missions and values to be a force for good both during the pandemic and beyond – whether this was ensuring our operational services remained resilient, protecting our environment, strengthening our connection with our workforce and communities. We believed that our Company's long established culture (accumulate and gather talented people; honesty and truthful; virtuous and high moral character and listening to stakeholders) was deeply rooted in our employees and staffs and this is the crucial factor to our future success.

### OUTLOOK

I would like to thank all of my wonderful colleagues, who have worked tirelessly to help deliver our missions and values-Jiashili, benefit the nation and benefit to all people 嘉士利、利國家、利大家. The passion they have applied to all they do, sometimes in difficult circumstances but always with a positive attitude in their mind, is truly inspiring. My thanks also go to my exceptional member of the Board and management team for their continued leadership across the Group, which has been particularly important again in this difficult period. Last but not least, I would like to extend, on the Company behalf, my heartfelt gratitude to the shareholders, customers, suppliers and business partners and associates of the Group for their continuing support and confidence in the Company.

**Jiashili Group Limited**

**Huang Xianming**

*Chairman of the Board*

August 30, 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### COVID-19 pandemic and impact on operations

The resurgence of the COVID-19 pandemic with the spread of highly contagious Omicron variant and pandemic-induced mobility restrictions and subsequent implementation of social distancing measures with adverse impacts on the economy in China has resulted in weakened consumer consumption on snack foods which heavily affected our business operations. The production utilisation rate of our plants was on average about 44% in the Reporting Period where in normal circumstances the utilisation rate can reach over 60%. Sales volume for our biscuits products decreased approximately 2% or 934 tonnes in aggregate during the Reporting Period compared with the same period last year, of which the coarse grain biscuits; sweet and salty single piece biscuits accounted for most of the decline in volume.

Our COVID-19 crisis management team led by the Board of Directors established in January of 2020 continued its COVID-19 monitoring and safety policies aiming at ensuring the Group's employees and customers remained safe and to support appropriate health and safety protocols. The health of our employee is crucial in ensuring the ongoing sustainability and success of the Group, particularly in delivering customer satisfaction and adopting safe practices in the workplace. To date, all of our employees and factory workers have been fully vaccinated, all of which have received booster doses. We act pursuant to commit local city COVID-19 regulations orders to have all employees and workers attending company-wide COVID-19 nucleic acid testing for every two-week in Kaiping city. Our focus on high quality, sustainably produced biscuits ensure we are positioning the Group for growth while creating long-term value for our customers, colleagues, suppliers, shareholders, consumers and the communities in which we operate.

### Review of the first half

During the Reporting Period we have continued to invest and execute on our strategic priorities to ensure we can continue to deliver growth in the markets in which we operate. Group's revenue in the first-half of 2022 has been increased by 4.9% year-on-year to approximately RMB742.8 million due to the Group has adopted strategies of raising prices of its products. Nevertheless, the price increase in some products cannot fully compensate the rise in raw materials costs, which led to unfavorable impacts on the Group gross profit margin. As a consequence gross profit were decreased from approximately RMB219.5 million to approximately RMB176.4 million compared with the same period last year, a drop of 19.6% year-on-year. Overall gross profit margin of the Group has decreased to 23.7% in the first half of 2022, representing a drop of 7.3 percentage points from the same period last year. Profit after tax decreased by 101.9% year-on-year to become loss after tax of approximately RMB1.9 million. The decrease was mainly attributable to (i) the unfavorable impacts of escalating costs of raw materials in the Reporting Period completely outweigh the rising prices of the Company's products; (ii) the reversal of impairment provision on prepayments is no longer exists in the Reporting period; and (iii) increase in additional impairment loss provisions under expected credit loss model in the Reporting Period due to expected credit risk impaired on existing loans and receivables.

## Management Discussion and Analysis

Jiashili is one of the largest biscuits manufacturer in China and its products have been on the market for more than 66 years, and the products has been deeply rooted in the hearts of all ethnic groups in China, its principal product offerings include various kinds of biscuits products and confectionery products. Other miscellaneous products include bread, pastas and mooncakes. During the long and successful history of Jiashili, we have mastered many crises and once again we have proven that our company is up to the local challenges. Our objectives are to produce quality, popular and preferred biscuits and leisure snack products where you can share anytime, anywhere. Over the year, we have been adhering to the business philosophy of “Jiashili, benefit the nation and benefit to all people 嘉士利、利國家、利大家” to provide delicious and high quality biscuits to the customers in China.

### New business

The Group adopted business strategy of diversified product category aiming at providing different food and snack categories with different portfolios to customers in the China market. Dare to accept innovative idea and product development are the driving force for the Group’s continuous development. We continue to pursue a consistent and proven strategy of developing the business through a combination of organic growth, operational improvements and acquisition growth. In the second quarter of 2022, the Company has established a non-wholly owned subsidiary engaged in manufacturing and selling of low/stable sugar rice (“wentang mi, 穩糖米”), this product is principally designed for consumers who require to control blood sugar level or want to control body weight.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, Group’s revenue recorded an increase by 4.9% year-on-year to RMB742.8 million. Breakdown of the revenue by product category for the Reporting Period and the comparative figures for the same period last year are as follows:

Revenue	For the six months ended June 30,		% of changes in
	2022 RMB (million)	2021 RMB (million)	revenue 2022 vs 2021
Sweet Single piece biscuits	267.1	277.1	-3.6%
Salty Single piece biscuits	24.9	25.2	-1.2%
Sandwich biscuits	251.3	204.8	22.7%
Wafers	82.4	76.6	7.6%
Coarse grain biscuits	38.8	47.9	-19.0%
Other biscuits products	63.5	64.8	-2.0%
Others	14.8	11.4	29.8%
Total	742.8	707.8	4.9%

## Breakdown of revenue by products

### Sweet single piece biscuits

During the Reporting Period, revenue from sweet single piece biscuits recorded a slight decline of 3.6% to approximately RMB267.1 million as compared with the same period last year. The decrease was mainly driven by consumers switching their consumption behavior under COVID-19 pandemic environment.

### Salty single piece biscuits

The revenue generated from salty single piece biscuits registered a slump in sales by approximately RMB0.3 million representing a slight decline of 1.2% year-on-year from the same period of last year. Similar to sweet single piece biscuits the decline was mainly due to consumers switching their consumption behavior under COVID-19 pandemic environment.

### Sandwich biscuits

Turning to sandwiches biscuits, mainly fruit jam sandwiches biscuits (果樂果香) In the first half of 2022, revenue generated from sandwich biscuits recorded a strong increase by 22.7% year-on-year to approximately RMB251.3 million. The driver for the increase was mainly attributable as follows: (i) the continued increased acceptance by consumers has encouraged the consumption despite city lockdowns and stringent social distancing rules and regulations; and (ii) the online product promotion via Tik Tok (抖音) was proved to be effective means to promote images and increased awareness as most of our target consumers are mostly university students; youngsters and teenagers, their acknowledgment and acceptance on on-line social media was exceptionally high.

### Wafers

During the Reporting Period, the revenue generated from wafers amounted to approximately RMB82.4 million, increase of 7.6% ahead of the corresponding period of last year. The results were primarily attributable to the success of the Group's marketing and pricing strategy and the wide market acceptance.

### Coarse grain biscuits

During the Reporting Period, revenue of coarse grain biscuit amounted to approximately RMB38.8 million, representing a decline of 19.0% as compared with the same period last year. Market repositioning and marketing channel restructuring is underway for coarse grain biscuits.

### Other biscuits products

It is the Group's policy of actively seeking to expand different mix of products with different brands and flavors to meet customer's demands. Other biscuits products include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. During the Reporting Period, revenue from other biscuits products drop by 2.0% to approximately RMB63.5 million as compared with the same period last year.

### Others

Others represents non-biscuits related miscellaneous items mainly consists of short self-life bread, moon cakes and pastas. During the Reporting Period, the revenue generated from other products amounted to approximately RMB14.8 million, representing an increase of 29.8% as compared with the same period last year. In which revenue from short shelf-life bread amounted to approximately RMB14.2 million for the six months ended June 30, 2022 representing an increase of 40.6% year-on-year compared with last year. Short-shelf life bread has received much market acceptance since its first launch in the second half of 2020. Revenue from moon cakes in the first half of 2022 amounted to approximately RMB0.6 million, The Group is expecting more revenue from moon cakes will be generated in the peak seasons particularly in the second half of the year.

### Cost of sales and gross profit

In the first half of 2022, gross profit decreased from approximately RMB219.5 million to approximately RMB176.4 million compared with the same period last year. Accordingly, gross profit margin dropped by 7.3 percentage points as compared with the corresponding period in 2021. The decline in gross profit and gross profit margin was mainly due to the double-digit price inflation on the cost of the Company's raw materials including palm oil, sugar, wheat flour and packaging materials. Especially palm oil have increased more than 55% compared with the corresponding period of last year which lead to the substantial increase in costs of production in the Reporting Period.

### Other income

During the Reporting Period, other income has increased by 21.7% to approximately RMB25.8 million from approximately RMB21.2 million as compared with the same period last year. The increase was primarily due to the increase in income of government grants.

### Selling and distribution expenses

Selling and distribution expenses primarily composed of the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. During the Reporting Period, such expense was increased by approximately RMB16.0 million or 16.9% year-on-year, to approximately RMB110.6 million. It was primarily due to increase in delivery and transportation expenses; advertising and promotions expenses and selling and administration expenses which aligned with the increase in revenue for the first half of 2022.

### Administrative expenses

Administrative expenses in the Reporting Period was amounted to approximately RMB41.3 million, representing an increase of approximately RMB1.2 million or 3.0% over the same period of last year. Such increase was primarily attributable to the increase in compensations and allowance to employees and workers during COVID-19 pandemic for the first half of 2022.

### Inventories

Group's inventories consist mainly of raw materials, packaging materials and finished goods. The Group's inventories as at June 30, 2022 was approximately RMB103.8 million, decreased by 1.0% from approximately RMB104.8 million as at December 31, 2021. The reason for the decrease in inventories was mainly due to the raw materials and finished goods balance at the end of 2021 was higher than that of June 30, 2022 as a result of the stock-up for the Lunar Chinese New Year in early-February of 2022. Accordingly, the inventory turnover days increased from 32.3 days for the first half of 2021 to 33.7 days for the first half of 2022.

### Trade, bills and other receivables

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and KA together with bills receivables and other deposits and prepayments. The Group's trade, bills and other receivables as at June 30, 2022 was approximately RMB162.6 million, decreased by 10.2% from approximately RMB181.0 million as at December 31, 2021. Accordingly, the trade, bills and other receivables turnover days was decreased from 50.1 days for the first half of 2021 to 42.3 days for the first half of 2022.

### Financial and liquidity position

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by our principal bankers. As at June 30, 2022, the Group had bank balances and cash amounted to approximately RMB249.1 million (as at December 31, 2021: approximately RMB383.7 million). Total bank borrowings as at June 30, 2022 amounted to approximately RMB609.1 million, an increase of 17.1% from December 31, 2021 as to finance our expansion and investment in the Reporting Period. As at June 30, 2022, the gross gearing ratio (defined as total liabilities over total assets) was 53.3% (as at December 31, 2021: 53.1%). We will from time to time adopt prudent financial management policy to address changing financial conditions.

As at June 30, 2022, the Group's net current liabilities was approximately RMB58.6 million (as at December 31, 2021: net current assets approximately RMB94.7 million). Current ratio of the Group as at June 30, 2022 was 0.94 (as at December 31, 2021: 1.11). The Board, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. In reaching this conclusion, the Board noted that the Group's business model which can generate sufficient cash flows and the substantial funding facilities available from our bankers to our Group and the resilience of the Group to a range of severe but plausible downside scenarios. The Group believed that we are in a strong and healthy position and has sufficient resources to support our working capital requirement and meet our foreseeable capital expenditure.

### OUTLOOK

The Group believes that the full year of 2022 will continue to be a year full of challenges and uncertainties. The global economy is at risk of renewed commodity and materials shortages due to the rapid spread of the COVID-19 variant Omicron, rising energy costs, supply chain disruptions, labour and climate change. The greatest challenge to the Group will be the rising materials costs and managing the costs will be a priority for the Group over the longer term. Nevertheless, the Group remains optimistic about the prospects of the biscuits and confectionery products industry given the continued efforts by the Chinese Government to combat the COVID-19 pandemic and the gradual recovery of global trade and economy as China gradual transits towards an endemic phase, where restrictions are relaxed and most economic sectors has reopened. The Group will continue to explore new markets to broaden its revenue and enhance the competitiveness of the products.

## OTHER INFORMATION

### HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at June 30, 2022 the Group had a total of 3,082 employees. (June 30, 2021: 2,622) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual. For the six months ended June 30, 2022, the total employee benefits expenses (including Directors' and chief executive's remuneration) were approximately RMB126.8 million (for the six months ended June 30, 2021: approximately RMB106.3 million). The increase was primarily due to the increase in salaries, compensations, allowances and subsidies to employees and workers in view of the COVID-19 spread.

### CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and ensuring high standards of corporate governance practices. In the opinion of the Directors, the Company has adopted the principles and applicable code provisions of Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") as its own code of corporate governance. Since the date of its listing and up to the date of this announcement, the Company has complied with the code provisions under the CG Code except for deviation during the Reporting Period which is summarised as below.

#### Code Provision A.2.1

As stipulated in the Code provision A.2.1 of the Code, the role of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Huang Xianming ("Mr. Huang"), the Company has deviated from the Code provision A.2.1 of the CG Code. As all major decisions are made in consultation with all members of the Board, and currently there are three independent non-executive Directors on the Board offering independent advises and providing fresh perspectives to the Company. In regard of this, the Board is of the view that it is appropriate this management structure is effective for the Group's operations and sufficient checks and balances are in place and in the best interests of the Company for Mr. Huang to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

### COMPLIANCE WITH MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Reporting Period.

### AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang. The audit committee together with the management, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group. The audit committee has reviewed and discussed the interim results of the Group for the six months ended June 30, 2022. The audit committee has no disagreement with the accounting treatment adopted by the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the first half of 2022.

## INTERIM DIVIDEND

The Board has decided not to declare an interim dividend. The Directors consider that this is prudent given the focus on managing the Group's cash flow positions in the second half of this financial year. We will consider the declaration of a dividend at the year end in the light of trading for the full financial year and the financial circumstances at that time.

## DIRECTORS' INTERESTS OR SHORT POSITIONS IN THE SHARES UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATION

As at June 30, 2022, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of Issued share capital
Mr. Huang Xianming ("Mr. Huang")	The Company	Interests of controlled corporation <sup>(2)</sup>	310,472,000 (L) <sup>(1)</sup>	74.81%
Mr. Huang	Kaiyuan Investments Limited ("Kaiyuan")	Interests of controlled corporation <sup>(3)</sup>	100 (L) <sup>(1)</sup>	100%
Mr. Huang	Great Logistics Global Limited ("Great Logistics")	Beneficial owner	1 (L) <sup>(1)</sup>	100%

Notes:

- (1) The Letter "L" denotes our Directors' long position in the shares or the relevant associated corporation.
- (2) The relevant shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.
- (3) Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

## INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2022, the following persons have an interest or a short position in the shares required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Huang	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Cuihong	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Xianxian	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Rujiao	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Rujun	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Great Logistics	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Grand Wing Investments Limited ("Grand Wing")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%
Intelligent Pro Investments Limited ("Intelligent Pro")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%
Jade Isle Global Limited ("Jade Isle")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%
Kaiyuan	Beneficial interest/Long position	276,168,000 <sup>(3)</sup>	66.55%
Prestige Choice Investments (Overseas) Limited ("Prestige Choice Overseas")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Tai Fung Bank Limited ("Tai Fung")	Held a security interest over the shares <sup>(4)</sup> / Long position	310,472,000 <sup>(3)</sup>	60.35%
Bank of China Limited* (中國銀行股份有限公司)	Interest in controlled corporation <sup>(5)</sup> /Long position	310,472,000 <sup>(3)</sup>	60.35%
Central Huijin Investment Limited ("Central Huijin")	Interest in controlled corporation <sup>(6)</sup> /Long position	310,472,000 <sup>(3)</sup>	60.35%

\* English translation of names in Chinese which is marked with "\*" in this report is for identification purpose only.

## Notes:

- (1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.
- (2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the shares in which Huang's Family is interested, and vice versa.
- (3) On June 10, 2021 Kaiyuan and Great Logistics together signed an agreement to pledge a total of 310,472,000 shares of the Company (approximately 74.81% of the issued share capital of the Company) to Tai Fung Bank Limited as security for certain loan facilities provided by Tai Fung Bank Limited to Kaiyuan. As at December 31, 2021, based on the disclosure of interest forms filed by Central Huijin Investments Limited; Tai Fung Bank Limited and Bank of China Limited\* (中國銀行股份有限公司) on June 10, 2021 and July 16, 2021, they are indirectly interested in 310,472,000 shares of the Company. On July 27, 2022, based on the disclosure of interest forms filed by Central Huijin Investment Limited; Tai Fung Bank Limited and Bank of China Limited\* (中國銀行股份有限公司), they have ceased to be interested in 310,472,000 shares of the Company due to the pledge of the Company's shares has been released.
- (4) On June 10, 2021 Kaiyuan and Great Logistics together signed an agreement to pledge a total of 310,472,000 shares of the Company (approximately 74.81% of the issued share capital of the Company) to Tai Fung Bank Limited. Based on the notice of disclosure of interest filed on June 10, 2021 and July 16, 2021, Tai Fung is a non wholly-owned subsidiary of Bank of China Limited\* (中國銀行股份有限公司) is owned as to 50.31% by Bank of China Limited\* (中國銀行股份有限公司). Tai Fung held a security interest over 310,472,000 shares of the Company. Based on the notice of disclosure of interest filed on July 27, 2022, Tai Fung has ceased to be interested in 310,472,000 shares of the Company due to the pledge of the Company's shares has been released.
- (5) Tai Fung is a non wholly-owned subsidiary of Bank of China Limited\* (中國銀行股份有限公司), as a result Bank of China Limited\* (中國銀行股份有限公司) is deemed to be interested in the 310,472,000 shares of the Company under Part XV of the SFO. Based on the notice of disclosure of interest filed on July 27, 2022, Bank of China Limited\* (中國銀行股份有限公司) has ceased to be interested in 310,472,000 shares of the Company due to the pledge of the Company's shares has been released.
- (6) Based on the notice of disclosure of interest filed on June 10, 2021 and July 16, 2021, Bank of China Limited\* (中國銀行股份有限公司) is a non wholly-owned subsidiary of Central Huijin, is owned as to 64.02% by Central Huijin. As a result Central Huijin is deemed to be interested in the 310,472,000 shares of the Company under Part XV of the SFO. Based on the notice of disclosure of interest filed on July 27, 2022, Central Huijin has ceased to be interested in 310,472,000 shares of the Company due to the pledge of the Company's shares has been released.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

# Deloitte.

# 德勤

**TO THE BOARD OF DIRECTORS OF JIASHILI GROUP LIMITED**

**嘉士利集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Jiashili Group Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 15 to 46, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

August 30, 2022

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

For the six months ended June 30, 2022

	NOTES	Six months ended June 30,	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	742,783	707,796
Cost of sales		(566,339)	(488,299)
Gross profit		176,444	219,497
Other income	5	25,760	21,210
Selling and distribution expenses		(110,580)	(94,610)
Administrative expenses		(41,323)	(40,145)
Other expenses	6	(30,892)	(29,945)
Impairment losses recognised under expected credit loss (“ECL”) model, net	21	(5,656)	(15,152)
Other gains and losses	7	(768)	71,956
Share of results of associates		(2,065)	(1,221)
Share of results of a joint venture		1,040	(6,866)
Finance costs	8	(18,259)	(11,997)
(Loss) profit before tax		(6,299)	112,727
Income tax benefit (expense)	9	4,353	(10,871)
(Loss) profit and total comprehensive (expense) income for the period	10	(1,946)	101,856
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(816)	104,235
Non-controlling interests		(1,130)	(2,379)
		(1,946)	101,856
(Loss) earnings per share	12		
— Basic and diluted (RMB cents)		(0.20)	25.12

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2022

	NOTES	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	461,412	490,849
Right-of-use assets	13	208,777	213,594
Investment properties	13	11,121	—
Intangible assets		34,523	37,486
Goodwill		27,449	27,449
Interests in associates	14	28,852	20,863
Interest in a joint venture	15	4,081	3,041
Loans to a joint venture	17a	168,017	172,023
Loan to a non-controlling shareholder of a subsidiary	17b	—	10,714
Loans to an associate	17c	—	5,667
Financial assets at fair value through profit or loss (“FVTPL”)	16	103,275	104,168
Loan receivables	19	5,300	14,403
Deferred tax assets		4,238	1,845
Other receivables and deposits	18	3,182	2,102
Deposit paid to a related company for acquisition of a subsidiary	27c	93,000	—
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		10,000	12,520
		<b>1,163,227</b>	<b>1,116,724</b>
<b>CURRENT ASSETS</b>			
Inventories		103,765	104,793
Trade, bills and other receivables	18	162,567	180,988
Loan receivables	19	151,863	100,102
Amounts due from associates	20a	46,534	44,353
Amounts due from non-controlling shareholders of subsidiaries	20b	8,975	11,531
Amounts due from a joint venture	20c	147,336	123,974
Amount due from a related party	20d	—	8
Loan to a non-controlling shareholder of a subsidiary	17b	10,611	—
Loans to an associate	17c	8,243	2,576
Income tax recoverable		5,840	3,588
Pledged/restricted bank deposits	28	116	21,044
Bank balances and cash		249,154	383,734
		<b>895,004</b>	<b>976,691</b>

Condensed Consolidated Statement of Financial Position

At June 30, 2022

	NOTES	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	22	293,938	371,306
Contract liabilities		42,193	59,350
Income tax payables		11,077	10,740
Bank borrowings	25	570,524	404,124
Amount due to a non-controlling shareholder of a subsidiary	23	—	1,123
Amounts due to related parties	23	95	—
Amounts due to associates	24	293	—
Deferred income		1,928	1,891
Lease liabilities		33,516	33,414
		<b>953,564</b>	881,948
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(58,560)</b>	94,743
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,104,667</b>	1,211,467
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		6,695	10,694
Deferred income		45,256	49,224
Bank borrowings	25	38,552	116,014
Lease liabilities		52,027	53,707
		<b>142,530</b>	229,639
<b>NET ASSETS</b>		<b>962,137</b>	981,828
<b>CAPITAL AND RESERVES</b>			
Share capital	26	3,285	3,285
Reserves		929,335	947,896
Equity attributable to owners of the Company		<b>932,620</b>	951,181
Non-controlling interests		<b>29,517</b>	30,647
<b>TOTAL EQUITY</b>		<b>962,137</b>	981,828

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

	Attributable to owners of the Company						Sub-Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000 (note a)	Special reserve RMB'000 (note b)	Contribution reserve RMB'000	Statutory reserves RMB'000 (note c)	Accumulated profits RMB'000			
At January 1, 2021 (audited)	3,285	249,147	(107,000)	18,333	174,711	548,976	887,452	29,476	916,928
Profit and total comprehensive income for the period	–	–	–	–	–	104,235	104,235	(2,379)	101,856
Appropriations	–	–	–	–	28,875	(28,875)	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary (note d)	–	–	–	–	–	–	–	9,769	9,769
Dividends recognised as distribution (note 11)	–	(17,266)	–	–	–	–	(17,266)	–	(17,266)
At June 30, 2021 (unaudited)	3,285	231,881	(107,000)	18,333	203,586	624,336	974,421	36,866	1,011,287
At January 1, 2022 (audited)	<b>3,285</b>	<b>197,448</b>	<b>(107,000)</b>	<b>18,333</b>	<b>203,586</b>	<b>635,529</b>	<b>951,181</b>	<b>30,647</b>	<b>981,828</b>
Loss and total comprehensive expense for the period	–	–	–	–	–	(816)	(816)	(1,130)	(1,946)
Appropriations	–	–	–	–	653	(653)	–	–	–
Dividends recognised as distribution (note 11)	–	(17,745)	–	–	–	–	(17,745)	–	(17,745)
At June 30, 2022 (unaudited)	<b>3,285</b>	<b>179,703</b>	<b>(107,000)</b>	<b>18,333</b>	<b>204,239</b>	<b>634,060</b>	<b>932,620</b>	<b>29,517</b>	<b>962,137</b>

## Notes:

- The application of share premium account is governed by the Company's Articles of Association and the Cayman Islands Companies Law, which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- Amount represents the paid-in capital of the subsidiaries acquired of RMB120 million less the payment of cash to the ultimate controlling shareholder of RMB227 million in May 2014 pursuant to a group reorganisation resulting in a reduction of net assets of the Group, which accounted for as a deemed distribution recognised in equity directly.
- Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of the group subsidiaries established in the People's Republic of China (the "PRC"), which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant subsidiaries in accordance with their articles of association. Statutory surplus reserve amounting to approximately RMB136,160,000 (unaudited) and RMB135,726,000 (unaudited) as at June 30, 2022 and 2021, respectively, can be used to make up for previous year's losses or convert into additional capital of the relevant subsidiaries. Discretionary surplus reserve amounting to approximately RMB68,079,000 (unaudited) and RMB67,860,000 (unaudited) as at June 30, 2022 and 2021, respectively, can be used to expand the existing operations of the relevant subsidiaries.
- During the period ended June 30, 2021, amount represents the capital contribution from a non-controlling shareholder of a subsidiary in form of cash consideration of RMB9,769,000.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

	<b>Six months ended June 30,</b>	
	<b>2022</b> <b>RMB'000</b> <b>(unaudited)</b>	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<b>(85,536)</b>	21,882
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<b>(10,591)</b>	(17,407)
New loan receivables advanced	<b>(47,000)</b>	(40,000)
Repayment of loan receivables	<b>2,000</b>	2,000
Loan advance to a joint venture	<b>—</b>	(162,600)
Advance to a joint venture	<b>—</b>	(60,000)
Repayment of loans from a joint venture	<b>7,500</b>	—
Loan advance to an associate	<b>—</b>	(16,000)
Placement of time deposits	<b>—</b>	(35,000)
Placement of pledged bank deposits	<b>—</b>	(20,905)
Release of pledged bank deposits	<b>21,044</b>	—
Placement of restricted bank deposits	<b>(116)</b>	—
Investment in an associate	<b>(10,000)</b>	—
Interest received	<b>11,300</b>	6,579
Deposits paid to a related company for acquisition of a subsidiary	<b>(93,000)</b>	—
Others	<b>418</b>	1,515
NET CASH USED IN INVESTING ACTIVITIES	<b>(118,445)</b>	(341,818)

## Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>FINANCING ACTIVITIES</b>		
New bank loans raised	<b>490,500</b>	509,000
Repayments of bank loans	<b>(401,562)</b>	(245,000)
Capital contribution from a non-controlling shareholder of a subsidiary	—	9,769
Interest paid on bank borrowings	<b>(16,911)</b>	(10,645)
Others	<b>(2,926)</b>	(2,618)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>69,101</b>	260,506
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(134,880)</b>	(59,430)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>383,734</b>	490,225
Effect of foreign exchange rate changes	<b>300</b>	14
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash</b>	<b>249,154</b>	430,809

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### Going Concern Assessment

In preparing the financial statements, the management of the Group has given careful consideration to the future liquidity in light of the fact that the Group’s current liabilities exceeded its current assets by RMB58,560,000, and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. Based on cash flows projection from operating, investing and financing activities, and availability of undrawn bank facilities of RMB147,160,000, which includes facilities of RMB82,160,000 acquired on July 5, 2022, the management of the Group is of the opinion that the Group has sufficient funds for sustainable operations and it will be able to meet its financial obligations and commitments for the next twelve months from the issuance of the condensed consolidated financial statements.

The directors of the Company have reviewed the management’s assessment together with the underlying basis and are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than application of accounting policy related to investment properties which became relevant to the Group as below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2021.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of Amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to IFRSs in the current interim period has 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 condensed consolidated financial statements.

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Group’s revenue from major products is set out in note 4 as such analysis form part of the segment information reported to the management of the Group. All of the Group’s revenue is recognised at a point in time.

	Six months ended June 30,	
	2022	2021
	RMB’000 (unaudited)	RMB’000 (unaudited)
<b>Sales channels</b>		
Distributors	741,723	705,650
Supermarkets	1,060	2,146
Total	742,783	707,796

	Six months ended June 30,	
	2022	2021
	RMB’000 (unaudited)	RMB’000 (unaudited)
<b>Geographical markets</b>		
The PRC (Country of domicile)	741,345	706,801
Other (note)	1,438	995
Total	742,783	707,796

Note: Others represent export sales to locations other than the PRC.

#### 4. SEGMENT INFORMATION

Information reported to the executive directors of the Group, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of products manufactured and sold. The CODM reviews operating results and financial information on a product by product basis. Each individual type of product constitutes an operating segment. For operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, are produced by using similar production processes and are distributed and sold to similar classes of customers, their segment results are aggregated into one reportable segment. The CODM assesses the performance of the operating segments based on a measure of segment profit or loss which represents the gross profit of each operation segment.

The Group has one reportable segment under IFRS 8 as sales of biscuit products.

In addition to the above reportable segment, none of the other operating segments met the quantitative thresholds for the reportable segments in both current and prior periods. Accordingly, they were grouped in “Others”.

##### Segment revenue and results

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

##### Six months ended June 30, 2022

	Biscuit products RMB'000	Others RMB'000	Total RMB'000
Revenue	727,945	14,838	742,783
Segment results	174,412	2,032	176,444
Other income			25,760
Selling and distribution expenses			(110,580)
Administrative expenses			(41,323)
Other expenses			(30,892)
Impairment losses recognised under ECL model, net			(5,656)
Other gains and losses			(768)
Share of results of associates			(2,065)
Share of results of a joint venture			1,040
Finance costs			(18,259)
Loss before tax			(6,299)

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 4. SEGMENT INFORMATION (Continued)

#### Segment revenue and results (Continued)

Six months ended June 30, 2021

	Biscuit products RMB'000	Others RMB'000	Total RMB'000
Revenue	696,429	11,367	707,796
Segment results	218,255	1,242	219,497
Other income			21,210
Selling and distribution expenses			(94,610)
Administrative expenses			(40,145)
Other expenses			(29,945)
Impairment losses recognised under ECL model, net			(15,152)
Other gains and losses			71,956
Share of results of associates			(1,221)
Share of results of a joint venture			(6,866)
Finance costs			(11,997)
Profit before tax			112,727

#### Segment assets and liabilities

The consolidated assets and consolidated liabilities of the Group are regularly reviewed by CODM as a whole. Therefore, the measure of total segment assets and total segment liabilities by operating and reportable segments is not presented.

**4. SEGMENT INFORMATION** (Continued)**Revenue from major products**

The following is an analysis of the Group's revenue from its major products.

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue by products</b>		
Sweet single piece biscuits	<b>267,085</b>	277,090
Salty single piece biscuits	<b>24,925</b>	25,227
Sandwich biscuits	<b>251,254</b>	204,818
Wafers	<b>82,394</b>	76,559
Coarse grain biscuits	<b>38,751</b>	47,926
Other biscuits products	<b>63,536</b>	64,809
Others (note)	<b>14,838</b>	11,367
<b>Total</b>	<b>742,783</b>	707,796

Note: Others represent miscellaneous products other than biscuits, such as bread, candies and pastas.

**5. OTHER INCOME**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Government grants (note)	<b>7,625</b>	2,935
Interest income on:		
— bank deposits	<b>2,742</b>	4,200
— loan receivables	<b>8,557</b>	6,027
— loans to a joint venture	<b>3,865</b>	4,149
— loan to a non-controlling shareholder of a subsidiary	<b>674</b>	720
Sales of packaging materials	<b>1,306</b>	1,441
Rental income	<b>634</b>	468
Other non-operating income	<b>357</b>	1270
	<b>25,760</b>	21,210

Note: Government grants represents incentive subsidies received from a local government for improvement of working capital and compensation of research and development expenses incurred as well as government subsidies for the compensation of capital expenditures on the plant and machinery and right-of-use assets which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 6. OTHER EXPENSES

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Research and development expenses	30,349	29,835
Donation expenses	231	100
Penalty	72	—
Other non-operating expenses	240	10
	<b>30,892</b>	<b>29,945</b>

### 7. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Reversal of impairment loss on prepayments (note)	—	74,641
Net foreign exchange gains	119	29
Loss on disposal of property, plant and equipment	6	(4)
Fair value loss on FVTPL	(893)	(2,710)
	<b>(768)</b>	<b>71,956</b>

Note: In 2019, an impairment loss of RMB74,641,000 has been provided in respect of a prepayment for purchase flour from Guangdong Kailan Flour Co. Limited\* (廣東開蘭麵粉有限公司) ("Kailan") in view of its solvency. On January 4, 2021, pursuant to the restructuring of Kailan as approved by the creditors and the Jiangmen People's Court, the insolvency administrators arranged the judicial auction for the sale of 100% interest in Kailan. The Group's joint venture, Guangdong Fengjia Food Co. Limited\* (廣東豐嘉食品有限公司) ("Fengjia") succeeded in the bidding for the sale of 100% interest in Kailan in the judicial auction with a bidding cost of RMB210,000,000.

The acquisition of Kailan by Fengjia was completed on January 20, 2021. The Group shall be entitled to recover approximately RMB80,474,000, including the unutilised prepayment balance, compensation and interest, from Kailan as stipulated under the restructuring of Kailan. During the period ended June 30, 2021, the Group has recovered approximately RMB50,474,000 from Kailan and the remaining outstanding balance from Kailan were fully recovered during the year ended December 31, 2021. Therefore, the Group reversed the impairment loss of RMB74,641,000 during the six months ended June 30, 2021.

\* English name for identification purpose only.

**8. FINANCE COSTS**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Interest expenses on:		
Bank borrowings	<b>16,911</b>	10,645
Lease liabilities	<b>1,348</b>	1,352
	<b>18,259</b>	11,997

**9. INCOME TAX (BENEFIT) EXPENSE**

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
PRC Enterprise Income Tax ("EIT") — Current tax	<b>2,039</b>	10,748
Deferred tax charges	<b>(6,392)</b>	123
	<b>(4,353)</b>	10,871

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2022 and 2021 as the Group has no assessable profits arising in Hong Kong.

Guangdong Jiashili Food Group Company Limited\* (廣東嘉士利食品集團有限公司) ("Guangdong Jiashili") was accredited as a High-New Technology Enterprise by the Science and Technology Bureau of Guangdong Province (廣東省科學技術廳) and relevant authorities in the PRC with effect from January 2021 for a term of three years. Guangdong Jiashili was registered with the local tax authority to be eligible to the reduced 15% EIT rate for three years from 2021 to 2023.

For other group entities in the PRC, under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the EIT rate was 25% for both periods.

According to Cai Shui 2008 No. 1, a joint circular of Ministry of Finance and State Administration of Taxation, dividend distributed out of the profits generated since January 1, 2008 by a PRC entity to a non-PRC tax resident shall be subject to withholding EIT pursuant to Articles 3 and 19 of the EIT Law.

The Company's subsidiaries that are PRC tax resident are required to withhold the PRC withholding EIT of 10% on dividend payment to their non-PRC resident immediate holding company.

\* English name for identification purpose only.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 10. (LOSS) PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
(Loss) profit for the period has been arrived at after charging:		
Directors' and chief executive's remuneration	1,965	1,751
Other employee benefits expenses:		
— Salaries and allowances	113,143	93,756
— Contributions to retirement benefits scheme	11,665	10,807
Total employee benefits expenses	126,773	106,314
Depreciation of property, plant and equipment	28,271	27,987
Depreciation of right-of-use assets	4,818	3,809
Depreciation of investment properties	224	—
Amortisation of intangible assets (included in cost of sales)	2,963	2,844
Total depreciation and amortisation	36,276	34,640
Expenses relating to short-term leases	374	477
Cost of inventories recognised as expenses with no impairment of inventories recognised	568,363	488,299

### 11. DIVIDENDS

During the six months ended June 30, 2022, a final dividend of HK5 cents per share in respect of the year ended December 31, 2021, amounting to HK\$20,750,000 (equivalent to RMB17,745,000) (six months ended June 30, 2021: a final dividend of HK5 cents per share in respect of the year ended December 31, 2020, amounting to HK\$20,750,000 (equivalent to RMB17,266,000)) was recognised as distribution to the owners of the Company.

Subsequent to the end of the current interim period, the directors of the Company does not recommend the payment of an interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: declared payment of an interim dividend of HK\$10 cents per ordinary share).

**12. (LOSS) EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months ended June 30,</b>	
	<b>2022</b> <b>RMB'000</b> <b>(unaudited)</b>	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>
<b>(Loss) earnings</b>		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<b>(816)</b>	104,235

  

	<b>Six months ended June 30,</b>	
	<b>2022</b> <b>'000</b>	<b>2021</b> <b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>415,000</b>	415,000

**13. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INVESTMENT PROPERTIES/INTANGIBLE ASSETS**

During the six months ended June 30, 2022, the Group had addition of approximately RMB10,591,000 (six months ended June 30, 2021: RMB99,827,000) on property, plant and equipment in order to upgrade its operating capacities.

During the six months ended June 30, 2022, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB412,000 (six months ended June 30, 2021: RMB414,000) for cash proceeds of RMB406,000 (six months ended June 30, 2021: RMB410,000), resulting in a gain on disposal of RMB6,000 (six months ended June 30, 2021: RMB4,000).

During the six months ended June 30, 2022, the Group entered into an agreement to lease out a building with a carrying amount of RMB11,345,000 (six months ended June 30, 2021: nil) to an independent third party for 6 years. The building is reclassified from the property, plant and equipment to investment property upon the commence of the lease.

The Group had no significant additions in right-of-use assets during the six months ended June 30, 2022. During the six months ended June 30, 2021, the Group entered into several new lease agreements with lease terms ranged from 1 to 20 years. On lease commencement, the Group recognised right-of-use assets of RMB52,027,000 and lease liabilities of RMB53,005,000.

During the six months ended June 30, 2022, and 2021, the Group had no addition on intangible assets.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 14. INTERESTS IN ASSOCIATES

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Cost of investments in associates — unlisted	<b>40,282</b>	30,282
Share of post-acquisition results of associates	<b>(11,398)</b>	(9,333)
Exchange adjustments	<b>(32)</b>	(86)
	<b>28,852</b>	20,863

Details of the Group's associates at the end of the reporting periods are as follow:

Name of associates	Place of incorporation/ establishment/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		June 30,	December 31,	June 30,	December 31,	
		2022	2021	2022	2021	
Hong Kong Ruishiyue (International) Food Co., Limited 香港瑞士樂(國際) 食品有限公司 ("Hong Kong Ruishiyue") (note a)	Hong Kong	<b>5%</b>	5%	<b>50%</b>	50%	Investment holding and manufacture and sale of candies and biscuits
Kaiping Jiarun Investment Co., Limited* 開平市嘉潤投資有限 公司 ("Kaiping Jiarun") (note b)	The PRC	<b>45%</b>	45%	<b>45%</b>	45%	Investment holding and sale of soy milk Products
Chengdu Tianjianjun Agricultural Technology Co., Limited* 成都天健君農業科技有限公司 ("Tianjianjun") (note c)	The PRC	<b>20%</b>	—	<b>20%</b>	—	Manufacture and sale of rice

Notes:

- (a) The board of directors composition of Hong Kong Ruishiyue comprised of four directors, in which two of the directors are appointed by the Group and the remaining two directors are appointed by each of the other two independent shareholders. The resolution of the directors of Hong Kong Ruishiyue requires approval by simple majority. As such, the Group can exercise significant influence in deciding Hong Kong Ruishiyue's financial or operating policies and accordingly the Group accounts for its interest in Hong Kong Ruishiyue as an associate. Hong Kong Ruishiyue has a wholly foreign-owned subsidiary, namely Guangdong Ruishiyue Food Co., Limited\* 廣東瑞士樂食品有限公司 ("Guangdong Ruishiyue"), in the PRC, which is principally engaged in manufacturing and selling of candy and biscuits.

**14. INTERESTS IN ASSOCIATES** (Continued)

Notes: (Continued)

- (b) Pursuant to the Articles of Association of Kaiping Jiarun, Kaiping Jiarun has a total registered capital of RMB68 million, of which RMB30.6 million shall be contributed by the Group and the remaining RMB37.4 million shall be contributed by the other shareholder. As at June 30, 2022, the paid-in capital of Kaiping Jiarun is RMB50 million (at December 31, 2021: RMB50 million), of which RMB29 million (at December 31, 2021: RMB29 million) has been contributed by the Group, with the remaining RMB21 million (at December 31, 2021: RMB21 million) has been contributed by the other shareholder.

The board composition of Kaiping Jiarun consists of three directors, in which one of the directors are being appointed by the Group and the remaining two directors are being appointed by the other shareholder of Kaiping Jiarun. The resolution of the board of directors of Kaiping Jiarun requires approval by simple majority. As such, the Group can exercise significant influence in deciding Kaiping Jiarun's financial or operating policies and accordingly, the Group accounts for its interest in Kaiping Jiarun as an associate.

- (c) On January 6, 2022, the Group entered into the first capital increase agreement with other four independent third parties. Pursuant to the first capital increase agreement, the registered capital of Tianjianjun shall increase by RMB1.34 million to RMB6.7 million, and the Group shall inject capital contribution of RMB10 million, of which RMB1.34 million will be contributed by the Group as registered capital of Tianjianjun for 20% equity interest in Tianjianjun. During the six months ended June 30, 2022, the Group contributed RMB10,000,000 into Tianjianjun.

Pursuant to the Articles of Association of Tianjianjun, the board composition of Tianjianjun consists of five directors, in which one of the directors is appointed by the Group and the remaining four directors were appointed by other four shareholders of Tianjianjun. The resolution of the board of directors of Tianjianjun requires approval by simple majority. The Group can exercise significant influence in deciding Tianjianjun's financial or operating policies. Accordingly, the Group accounts for its interest in Tianjianjun as an associate.

\* English name for identification purpose only.

**15. INTEREST IN A JOINT VENTURE**

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Cost of investments in a joint venture	<b>10,200</b>	10,200
Share of post-acquisition results of a joint venture	<b>(6,119)</b>	(7,159)
	<b>4,081</b>	3,041

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 15. INTEREST IN A JOINT VENTURE (Continued)

Details of the Group's joint venture at the end of the reporting periods are as follow:

Name of joint venture	Place of establishment/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	
		Fengjia (note)	PRC	51%	51%	

Note: In May 2020, the Group established Fengjia jointly with an independent third party, Beidahuang Fengyuan Group Co., Limited\* 北大荒豐緣集團有限公司 ("Beidahuang"). Pursuant to the joint venture agreement of Fengjia, the total registered capital is RMB20 million, among which, RMB9.8 million is to be contributed by Beidahuang and the remaining RMB10.2 million is to be contributed by the Group. The board of Fengjia comprised of five directors, in which three of the directors were appointed by the Group and the remaining two directors were appointed by Beidahuang. The board resolution requires approval by directors representing both the Group and Beidahuang in the board of directors meeting. Accordingly, the Group concluded that the Group has joint control over Fengjia and accounted for its interest in Fengjia as a joint venture.

\* English name for identification purpose only.

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2019, the Group entered into a limited partnership agreement for setting up an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥) Tsingtao Jia Hui Equity Investment Fund (Limited Partnership) ("Jia Hui LLP"), with three independent third parties. Pursuant to the limited partnership agreement, RMB103.5 million is to be contributed by the Group as a limited partner. Jia Hui LLP was set up on May 16, 2019. As at June 30, 2022 and December 31, 2021, the unlisted equity investment fund is classified as a non-current asset, of which Jia Hui LLP consists of six years term to maturity. Management of the Jia Hui LLP shall vest exclusively to the general partner of Jia Hui LLP ("GP"). Limited partners of Jia Hui LLP shall have the exclusive authority to monitor and oversight the behaviour of the GP and they shall not involve in the daily operation and are not allowed to act on behalf of the Jia Hui LLP externally. Jia Hui LLP is accounted for as a financial asset at FVTPL.

As at June 30, 2022, the fair value of the unlisted equity investment fund is amounting to RMB103,275,000 (at December 31, 2021: RMB104,168,000) with fair value loss recognised in profit or loss of RMB893,000 for the current period (for the six months ended June 30, 2021: fair value gain recognised in profit or loss of RMB2,710,000).

The fair value of the Group's unlisted equity investment fund at June 30, 2022 and December 31, 2021 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited ("Asset Appraisal"), an independent qualified professional valuer not connected with the Group. Asset Appraisal is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience.

## 17. LOANS TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/A JOINT VENTURE/AN ASSOCIATE

### a) Loans to a joint venture

The amounts represent loans advanced to Fengjia, a joint venture, with an aggregated principal value of RMB157,800,000 (at December 31, 2021: RMB165,300,000) and accrued interest of RMB10,998,000 (at December 31, 2021: RMB7,375,000). Included in the carrying amount of loans to a joint venture as at June 30, 2022 is accumulated impairment losses of RMB781,000 (at December 31, 2021: RMB652,000). During the period ended June 30, 2022, an impairment loss under ECL model of RMB129,000 (for the six months ended June 30, 2021: RMB1,346,000) was recognised in the profit or loss for the loan to a joint venture. The loan amount of RMB150,000,000 (at December 31, 2021: RMB150,000,000) is non-trade in nature, secured by 100% interest of Kailan, the wholly-owned subsidiary of Fengjia, and interest bearing at 5% per annum. The remaining amount of RMB7,800,000 (at December 31, 2021: RMB15,300,000) is non-trade in nature, unsecured and interest bearing at 5% per annum. The amount is repayable by the end of 2023 and therefore classified as non-current.

### b) Loan to a non-controlling shareholder of a subsidiary

The amount represents loan advanced to a non-controlling shareholder of a subsidiary, with aggregated principal value of RMB18,000,000 (at December 31, 2021: RMB18,000,000). Included in the carrying amount of loan to a non-controlling shareholder of a subsidiary as at June 30, 2022 is accumulated impairment losses of RMB7,389,000 (at December 31, 2021: RMB7,286,000). During the period ended June 30, 2022, an impairment loss under ECL model of RMB103,000 (for the six months ended June 30, 2021: RMB784,000) was recognised in the profit or loss for the loan to a non-controlling shareholder of a subsidiary. The amount is non-trade in nature, secured with the non-controlling shareholder's equity interests in the subsidiary, 60% interest of the non-controlling shareholder and 5.17% equity interest of an entity in the PRC, and interest bearing at 8% per annum. The amount is repayable within one year and therefore classified as current (at December 31, 2021: non-current).

### c) Loans to an associate

The amounts represent loans advanced to an associate, with aggregated principal value of RMB16,000,000 (at December 31, 2021: RMB16,000,000). Included in the carrying amount of loans to an associate as at June 30, 2022 is accumulated impairment losses of RMB7,757,000 (at December 31, 2021: RMB7,757,000). During the period ended June 30, 2022, an impairment loss under ECL model of RMB nil (for the six months ended June 30, 2021: RMB3,131,000 was recognised) was recognised in the profit or loss for the loans to an associate. The amounts are non-trade in nature, non-interest bearing and guaranteed by the directors of the associate. The amounts are repayable within one year and therefore classified as current (at December 31, 2021: RMB5,000,000 was current and RMB11,000,000 was non-current).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 18. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
Trade receivables and bills receivables	26,465	24,455
Less: Allowance for expected credit losses	(2,229)	(3,182)
Total trade and bills receivables, net	24,236	21,273
Prepayments for purchase of raw materials (note a)	64,960	74,108
Other receivables (note b)	28,570	30,178
Other prepayments (note c)	46,001	55,598
Rental and utility deposits	1,982	1,933
	165,749	183,090
Less: Amount shown under current assets	(162,567)	(180,988)
Amount shown under non-current assets as other receivables and deposits (note d)	3,182	2,102

#### Trade and bills receivables

The following is an analysis of trade and bills receivables by age, net of allowance for ECL, presented based on the delivery of goods, which approximated the respective revenue recognition dates at the end of the reporting period:

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
Within 2 months	19,727	14,626
Over 2 months but within 3 months	1,547	1,202
Over 3 months but within 6 months	1,962	2,980
Over 6 months but within one year	1,000	2,465
	24,236	21,273

As at June 30, 2022, the Group consists of bills receivables amounting to RMB3,776,000 (at December 31, 2021: RMB8,471,000) with a maturity period of less than one year.

**18. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS***(Continued)***Prepayment, other receivables and deposits**

Notes:

- (a) Prepayments for purchase of raw materials mainly comprised prepayments for packaging materials.
- (b) Other receivables net of allowance represent input tax to be certified, advances to staff and other miscellaneous deposits, which are unsecured, non-interest bearing and amounts of RMB56,000 (at December 31, 2021: RMB170,000) from advances to staff are repayable after one year and therefore classified as non-current.

The fair value of advances to staff are determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate on initial recognition. The imputed interest income on the advances to staff is RMB7,000 (for the six months ended June 30, 2021: RMB29,000). The effective interest rate is 4.75% to 4.90% (for the six months ended June 30, 2021: 4.75% to 4.90%) per annum.

During the period ended June 30, 2022, the Group has provided an impairment loss of RMB2,991,000 (for the six months ended June 30, 2021: RMB2,650,000) on other receivables.

- (c) Other prepayments represent prepaid logistic fee to logistics companies to maintain a long term cooperation relationship and enjoy preferential price offered by the suppliers.
- (d) The amount mainly represents i) rental and utility deposits due after one year; and ii) advances to staff due after one year and therefore, classified as non-current.

**19. LOAN RECEIVABLES**

	<b>June 30, 2022</b>	December 31, 2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Loan receivables	<b>168,812</b>	123,812
Less: allowance for ECL	<b>(11,649)</b>	(9,307)
Loan receivables, net	<b>157,163</b>	114,505

As at June 30, 2022, the amounts represent loans advanced to independent third parties with aggregated principal value of RMB168,812,000 (at December 31, 2021: RMB123,812,000). The amounts are secured by properties or guarantees from independent third parties, interest bearing from 6.0% to 18.0% (at December 31, 2021: from 6.0% to 18.0%) per annum. Based on the loans agreements, as at June 30, 2022, loan amount of RMB5,300,000 (at December 31, 2021: RMB16,300,000) is repayable more than one year and the remaining loan receivables are repayable within one year.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 19. LOAN RECEIVABLES *(Continued)*

As at June 30, 2022, the Group recognised an impairment allowance of RMB11,649,000 (at December 31, 2021: RMB9,307,000) on loan receivables. During the period ended June 30, 2022, an impairment loss under ECL model of RMB2,342,000 (six months ended June 30, 2021: RMB5,831,000) was recognised in the profit or loss for loan receivables.

As at June 30, 2022, the loan receivables balance in default was amounted to RMB31,512,000 (at December 31, 2021: RMB31,512,000) of which balance of RMB2,000,000 (December 31, 2021: RMB2,000,000) had been fully provided for ECL. For the remaining loan receivable balance of RMB29,512,000 (December 31, 2021: RMB29,512,000), the outstanding balance is secured by collateral properties. Management of the Group considered the value of the collateral are in excess of the outstanding balance of the loan receivables and thus, no ECL allowance was provided for the secured loan receivables.

### 20. AMOUNTS DUE FROM ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/A RELATED PARTY

#### a) Amounts due from associates

The amounts are unsecured, non-interest bearing and in the opinion of the directors of the Company, the amounts will be repaid or utilised to set off the Group's future purchase or sales from the associates within one year.

#### b) Amounts due from non-controlling shareholders of subsidiaries

The amounts represent trade receivables of RMB7,206,000 (at December 31, 2021: RMB10,533,000), interest receivables of RMB1,337,000 (at December 31, 2021: RMB968,000) and purchase prepayments of RMB432,000 (at December 31, 2021: RMB30,000). During the period ended June 30, 2022, an impairment loss under ECL model of RMB2,405,000 (for the six months ended June 30, 2021: RMB nil) was reversed in the profit or loss for the amounts due from non-controlling shareholders of subsidiaries. The amounts are unsecured, non-interest bearing. The amounts will be repaid or utilised within one year.

#### c) Amounts due from a joint venture

The amounts represent advance of RMB60,000,000 (at December 31, 2021: RMB60,000,000) and purchase prepayments of RMB93,342,000 (at December 31, 2021: RMB66,530,000). During the period ended June 30, 2022, an impairment loss under ECL model of RMB3,449,000 (for the six months ended June 30, 2021: RMB2,640,000) was recognised in the profit or loss for the amounts due from a joint venture. The amounts are unsecured, non-interest bearing and repayable on demand. The amounts will be repaid or utilised to set off the Group's future purchase from the associates within one year.

#### d) Amount due from a related party

The amount is unsecured, non-interest bearing and repayable on demand.

## 21. IMPAIRMENT LOSSES RECOGNISED (REVERSED) ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Impairment losses (recognised) reversed in respect of		
– loans to a joint venture	(129)	(1,346)
– loan to a non-controlling shareholder of a subsidiary	(103)	(784)
– loans to an associate	—	(3,131)
– loan receivables	(2,342)	(5,831)
– amounts due from a non-controlling shareholder of a subsidiary	2,405	—
– amounts due from a joint venture	(3,449)	(2,640)
– trade receivables	953	1,230
– other receivables	(2,991)	(2,650)
	<b>(5,656)</b>	<b>(15,152)</b>

During the six months ended June 30, 2022, the Group has no write off of impairment loss on trade receivables and other receivables (Six months ended June 30, 2021: impairment loss on trade receivables of RMB1,233,000 and other receivables of HK\$2,650,000 written off).

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 22. TRADE, BILLS AND OTHER PAYABLES

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Trade payables	<b>131,391</b>	152,867
Bills payables	<b>62,840</b>	97,100
Total trade and bills payables	<b>194,231</b>	249,967
Accrued expense	<b>29,208</b>	38,629
Transportation fee payables	<b>12,614</b>	24,705
Payroll and welfare payables	<b>24,645</b>	36,168
Other tax payables	<b>14,009</b>	18,470
Dividend payables (note 11)	<b>17,745</b>	—
Other payables	<b>1,486</b>	3,367
	<b>293,938</b>	371,306

#### Trade and bills payables

The following is an analysis of trade payables by age, presented based on the invoice date at the end of the reporting period:

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Within 3 months	<b>130,607</b>	152,177
Over 3 months but within 6 months	<b>74</b>	518
Over 6 months but within 1 year	<b>295</b>	52
Over 1 year	<b>415</b>	120
	<b>131,391</b>	152,867

**22. TRADE, BILLS AND OTHER PAYABLES** (Continued)**Trade and bills payables** (Continued)

The following is an analysis of bills payables by age, presented based on bills issue date at the end of the reporting period:

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Within 3 months	<b>35,000</b>	76,070
Over 3 months but within 6 months	<b>27,840</b>	21,030
	<b>62,840</b>	97,100

**23. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/ RELATED PARTIES**

The amounts are unsecured, non-interest bearing and repayable on demand.

**24. AMOUNTS DUE TO ASSOCIATES**

The amounts are unsecured, non-interest bearing which represents the trade payable for the purchase of soy milk and rice from Kaiping Jiarun and Tianjianjun.

**25. BANK BORROWINGS**

During the six months ended June 30, 2022, the Group obtained new bank loans amounting to RMB490,500,000 (six months ended June 30, 2021: RMB509,000,000) and repaid bank loans amounted to RMB401,562,000 (six months ended June 30, 2021: RMB245,000,000). At June 30, 2022, the loans carry interest at fixed rates ranging from 2.89 % to 3.85% (at December 31, 2021: 2.89% to 4.10%) per annum or variable rates ranging from PRC Loan Prime Rate ("LPR") minus 3.45% to LPR minus 4.90% (at December 31, 2021: 3.45% to 4.90%) per annum.

As at June 30, 2022, pursuant to bank borrowings agreement of a group entity, the group entity breached one of financial covenants, mainly related to the period-to-period change in profits ratio of the group entity. This result the bank has the right to demand the group entity to immediate repay the bank borrowings with principal of RMB249,300,000 and related interest. On discovery of the breach, the directors of the Company had informed the lender. On August 24, 2022, the lender provided a letter to the group entity to declare that they will not require early repayment under current situation. Up to the date of this report, the lender did not exercise the right of demand of repayment of these bank borrowings. As such, bank loans at June 30, 2022 of RMB135,700,000 with original repayment terms over one year are classified as current liabilities. In any event, should the lender call for immediate repayment of the loan, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 26. SHARE CAPITAL

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	Share capital HK\$
<b>Authorised:</b>		
At January 1, 2021 (audited), June 30, 2021 (unaudited), January 1, 2022 (audited) and June 30, 2022 (unaudited) — Ordinary shares of HK\$0.01 each	8,000,000,000	80,000,000
<b>Issued and fully paid:</b>		
At January 1, 2021 (audited), June 30, 2021 (unaudited), January 1, 2022 (audited) and June 30, 2022 (unaudited) — Ordinary shares of HK\$0.01 each	415,000,000	4,150,000
		<b>At June 30, 2022 (unaudited) and December 31, 2021 (audited)</b> RMB'000
Presented in the condensed consolidated financial statements		3,285

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

**27. CAPITAL COMMITMENTS**

	<b>June 30, 2022 RMB'000 (unaudited)</b>	December 31, 2021 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>25,533</b>	40,430
Capital expenditure in respect of the establishment of associates contracted for but not provided in the condensed consolidated financial statements (note a)	<b>13,139</b>	1,600
Capital expenditure in respect of the capital injections to the unlisted equity investment fund but not provided in the condensed consolidated financial statements (note b)	<b>34,500</b>	34,500
Capital expenditure in respect of the acquisition of a subsidiary but not provided in the consolidated financial statements (note c)	<b>42,000</b>	135,000

Notes:

- (a) Pursuant to the Articles of Association of Kaiping Jiarun, Kaiping Jiarun has a total registered capital of RMB68 million, of which RMB30.6 million shall be contributed by the Group and the remaining RMB37.4 million shall be contributed by the other shareholder. As at June 30, 2022, the paid-in capital of Kaiping Jiarun is RMB50 million (December 31, 2021: RMB50 million), of which RMB29 million (December 31, 2021: RMB29 million) has been contributed by the Group, with the remaining RMB21 million (December 31, 2021: RMB21 million) has been contributed by the other shareholder.

On May 20, 2022, the Group entered into the second capital increase agreement on Tianjianjun with the other four independent third parties. Pursuant to the second capital increase agreement, the registered capital of Tianjianjun shall further increase by RMB1,546,000 to RMB8,246,000. The Group shall further inject capital contribution of RMB11,539,000, of which RMB1,546,000 will be registered capital. Upon the completion of the injection, the proportion of ownership interest held by the Group will increase to 35% from 20%. As at June 30, 2022, the Group has yet to pay the further capital contribution to Tianjianjun.

Details of the investment in these associates are set out in note 14(b) and 14(c).

- (b) On December 20, 2019, the Group entered into a capital increase agreement on Jia Hui LLP with three independent third parties. Pursuant to the capital increase agreement, the registered capital of the Jia Hui LLP, shall further increase by RMB50 million to RMB200 million (the "Capital Increase"). Pursuant to the Capital Increase agreement, the Group shall make further capital contribution of RMB34.5 million. Upon the completion of the Capital Increase, the total capital contribution to the unlisted equity invest fund by the Group would be RMB138 million, representing 69% of the enlarged registered capital Jia Hui LLP, which remains unchanged from that prior to the Capital Increase. As at June 30, 2021, the Group has yet to pay the further capital contribution to the Jia Hui LLP.

Details of the investment in the unlisted equity investment fund are set out in note 16.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

### 27. CAPITAL COMMITMENTS (Continued)

Notes: (Continued)

- (c) On May 10, 2021, the Group entered into an equity transfer agreement for acquisition of 100% interest in Guangdong Kangli Food Co. Limited\* 廣東康力食品有限公司 (“Kangli”) with Koni (Hong Kong) Food Investment Limited (“Koni”), an entity controlled by Mr. Huang Xianming, the ultimate controlling shareholder of the Group, for a total consideration of RMB135 million. On December 28, 2021, a supplemental agreement was made to extend the long stop date of the acquisition of Kangli to September 30, 2022 (or any later date as agreed by the Group and Koni). As at June 30, 2022, the Group paid RMB93,000,000 as deposits for the acquisition to Kaiyuan Investments Limited (“Kaiyuan”), the holding company of Koni pursuant to terms and condition of the equity transfer agreement. The acquisition of Kangli is not yet completed as of the date of this report.

\* English name for identification purpose only.

### 28. PLEDGED/RESTRICTED OF ASSETS

As at June 30, 2022 and December 31, 2021, the following asset was pledged to secure banking facilities granted to the Group or frozen by court:

	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)
Pledged/restricted bank deposits	116	21,044

### 29. RELATED PARTY DISCLOSURES

#### Related Party Transactions

		Six months ended June 30,	
Relationship		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Sale of goods</b>			
Guangdong Ruishiyue (note a)	Associate	859	869
Guangdong Jinpingguo Co. Limited* 廣東金蘋果有限公司 (“Jinpingguo”) (note a)	Non-controlling shareholder of a subsidiary	—	201
Kangli (note a and b)	Related party	—	10
Guangdong Zhongchen Industrial Group Company Limited* 廣東中晨實業集團有限公司 (“Zhongchen”) (notes a and b)	Related party	—	5
Fengjia (note a)	Joint venture	—	5
		<b>859</b>	<b>1,090</b>

**29. RELATED PARTY DISCLOSURES** (Continued)**Related Party Transactions** (Continued)

	Relationship	Six months ended June 30,	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Purchase of goods</b>			
Fengjia (note a)	Joint venture	46,416	12,429
Guangdong Ruishiyue (note a)	Associate	13,407	15,126
Kaiping Jiarun (note a)	Associate	1,148	—
Kangli (note a)	Related party	504	—
Tianjianjun (note a)	Associate	32	—
Jinpingguo (note a)	Non-controlling shareholder of a subsidiary	—	780
		<b>61,507</b>	28,335
<b>Lease contract on motor vehicle</b>			
Zhongchen (note c)			
— Payment of lease liabilities	Related party	—	149
Deposit paid for acquisition of a subsidiary Kaiyuan (note b)	Related party	93,000	—

\* English name for identification purpose only.

Notes:

- (a) The amount represents the sales and purchases of biscuits, mooncakes, flour, pasta, confectioneries, soy milk and rice. The transactions were entered into in the normal course of business of the Group at terms mutually agreed between the parties.
- (b) Zhongchen, Kaiyuan and Kangli is controlled by Mr. Huang Xianming, the ultimate controlling shareholder of the Group.
- (c) The amount represents the lease payment for a motor vehicle with a lease term of 14 months starting from March 2020.

**Related party balances**

Details of balances with the Group's related parties are set out in notes 17, 20, 23 and 24.

## 29. RELATED PARTY DISCLOSURES *(Continued)*

### Key management personnel

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2022 and 2021 were as follows:

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Short-term benefits	<b>2,702</b>	2,717
Post-employment benefits	<b>20</b>	25
	<b>2,722</b>	2,742

## 30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that included inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

**30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT** (Continued)**(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis** (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
	June 30, 2022 (unaudited)	December 31, 2021 (audited)			
Financial assets at FVTPL-unlisted equity investment fund in the PRC	<b>RMB103,275,000</b>	RMB104,168,000	Level 3	Asset based approach.  The net asset value is identified by subtracting the total liabilities of these investments from total assets.	The higher the net asset value, the higher the fair value. (note)

Note: An increase in the net assets of the unlisted equity investment fund would result in an increase in the fair value measurement of the unlisted equity investment fund, and vice versa. As a result of the volatility financial market in 2022, the management adjusted the sensitivity rate to 3% of the underlying assets value for the purpose of performing the sensitivity analysis. A 3% (2021: 3%) increase in the underlying assets value, holding all other variables constant, would increase the fair value of the unlisted equity investment fund by approximately RMB3,098,000 (2021: RMB3,125,000).

There were no transfer between Level 1, 2 and 3 in the both periods.

**30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT** *(Continued)***(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis** *(Continued)***Reconciliation of Level 3 fair value measurements**

	Financial assets At FVTPL unlisted equity investment fund RMB'000
<b>As at January 1, 2021</b> (audited)	100,691
Fair value loss recognised in profit or loss	(2,710)
<b>As at June 30, 2021</b> (unaudited)	97,981
<b>As at January 1, 2022</b> (audited)	104,168
Fair value loss recognised in profit or loss	(893)
<b>As at June 30, 2022</b> (unaudited)	103,275

**(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis**

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities at amortised cost recognised in the condensed consolidated financial statements using discounted cash flow valuation technique approximate their fair values.