



Labixiaoxin Snacks Group Limited 蠟筆小新休閒食品集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1262





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CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Industrial Area
Jinjiang, Fujian
PRC

PLACE OF BUSINESS IN HONG KONG

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

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock code: 1262

COMPANY WEBSITE

<http://www.lbxxgroup.com>

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

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Li Hung Kong (*Vice-Chairman*)

Independent Non-Executive Directors

Li Biao
Sun Kam Ching (resigned on 2 September 2022)
Chung Yau Tong
Guo Li (appointed on 2 September 2022)

COMPANY SECRETARY

Chan Yee Lok

AUTHORIZED REPRESENTATIVES

Zheng Yu Shuang
Chan Yee Lok

AUDIT COMMITTEE

Chung Yau Tong (*Chairman*)
Li Biao
Sun Kam Ching (replaced by Guo Li on 2 September 2022)
Guo Li (appointed on 2 September 2022)

REMUNERATION COMMITTEE

Sun Kam Ching (*Chairman*)
(replaced by Guo Li on 2 September 2022)
Guo Li (*Chairman*) (appointed on 2 September 2022)
Zheng Yu Long
Chung Yau Tong



CORPORATE INFORMATION *(Continued)*

NOMINATION COMMITTEE

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

AUDITORS

HLB Hodgson Impey Cheng Limited
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

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

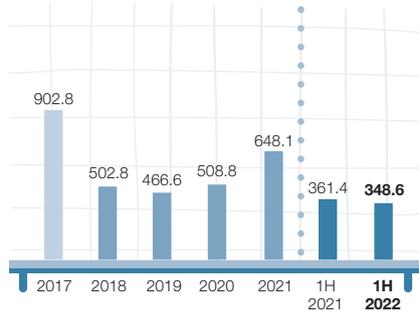




FINANCIAL HIGHLIGHTS

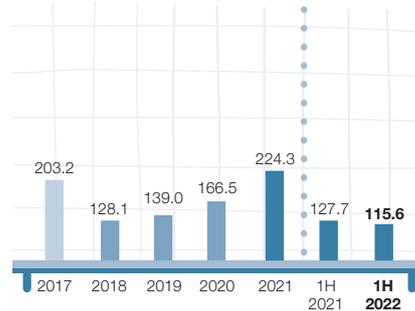
Revenue

RMB'M



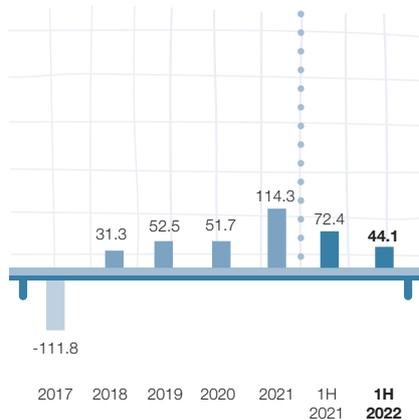
Gross Profit

RMB'M



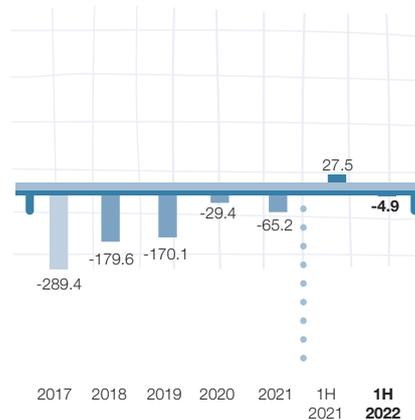
EBITDA/(LBITDA) (Note)

RMB'M



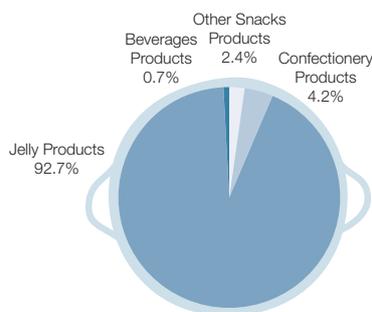
Net Profit/(Loss)

RMB'M

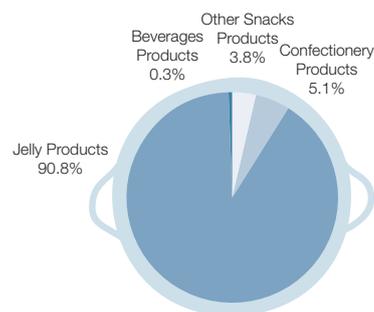


Revenue by Products

1H2022

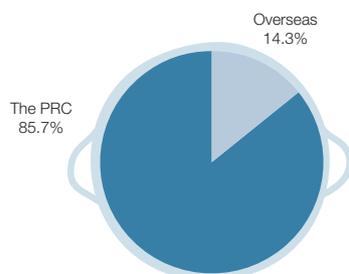


1H2021

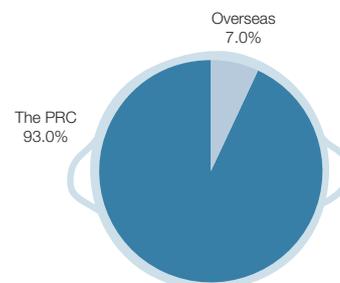


Revenue by Locations of End Customers

1H2022



1H2021



Note: EBITDA/(LBITDA) refers to profit/(loss) before interests, income tax, depreciation, amortization, allowance under expected credit losses model on receivables, gain on disposal of a subsidiary and written-off of property, plant and equipment.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2022, the Group has reported revenue of RMB348.6 million, representing a decrease of approximately 3.5% as compared with the corresponding period of last year mainly due to decrease in sales of jelly products, confectionary products and other snacks products by 1.5%, 21.0% and 39.1% respectively. During the six months ended 30 June 2022, the consumer sentiment in the PRC had gradually recovered from the hit by the Novel Coronavirus (“COVID-19”) outbreak. The Group’s sales was positively affected by the recovery of the consumer sentiment and the removal of lock-up measures in most areas of the PRC. However, there were still several COVID-19 surges in certain cities or provinces in the PRC e.g. Shanghai, Jinjiang and Jilin, following the 2022 Lunar New Year and up till May 2022. Local governments in these areas had taken measures to minimize the impact of the COVID-19 pandemic, including but not limited to: mandatory quarantine of infected personnel and their close contacts, compulsory quarantine of visitors and travellers and lockdowns of high risk areas (collectively, the “Governments’ Measures”). Due to the Governments’ Measures, the Group’s major subsidiary in Jinjiang, Fujian was required to stop its production and operation temporarily in March and April 2022. As a result, the sales performance of the Group was negatively affected during March and April 2022 and resulted in the decrease in sales for the six months ended 30 June 2022 as compared with the corresponding period in 2021.

For the six months ended 30 June 2022, the Group recorded a net loss of RMB4.9 million, as compared with the net profit of RMB27.5 million in the same period last year. The main reasons for the Group’s net loss during the six months ended 30 June 2022 was mainly due to (i) there were decreases in sales and gross profit margin by approximately RMB12.8 million and RMB12.1 million respectively due to temporary cessation in production and operation of our Jinjiang subsidiary in March and April 2022 and the increase in the costs of certain major raw materials; (ii) there was no gain on disposal of properties during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB13.4 million); and (iii) there was a loss on disposal of asset classified as held for sale in the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Revenue

Revenue decreased by approximately 3.5% to RMB348.6 million in the first half of 2022 when compared with the same period in 2021. During the period under review, the Group’s sales performance has been positively impacted by the recovery of consumer sentiments and the removal of lock-up measures in most areas of the PRC. However, there were still several COVID-19 surges in certain cities or provinces in the PRC e.g. Shanghai, Jinjiang and Jilin, following the 2022 Lunar New Year and up till May 2022. Due to the Governments’ Measures mentioned above, the Group’s major subsidiary in Jinjiang, Fujian was required to stop its production and operation temporarily in March and April 2022. As a result, the sales performance of the Group was negatively affected during March and April 2022 and resulted in the decrease in sales for the six months ended 30 June 2022 as compared with the corresponding period in 2021.

During the period under review, the Group has continued to exert immense efforts in developing its distribution network. As at 30 June 2022, the Group had a total number of 930 distributors (30 June 2021: 915).

Jelly products

Revenue of jelly products decreased by approximately 1.5% from RMB328.1 million in the first half of 2021 to RMB323.2 million in the first half of 2022. During the six months ended 30 June 2022, revenue attributable to jelly snacks increased by approximately 2.7% to RMB177.0 million while sales attributable to jelly beverages decreased by approximately 6.1% to RMB146.2 million.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Confectionary products

Confectionary products recorded a decrease in revenue during the six months ended 30 June 2022. Sales of confectionary products decreased by approximately 21.0% from RMB18.6 million in the first half of 2021 to RMB14.7 million in the first half of 2022. The decrease was mainly due to temporary cessation in production and operation of our Jinjiang subsidiary in March and April 2022.

Beverages products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverages products of the Group increased by approximately 113.9% to RMB2.5 million in the first half of 2022 as the Group has launched new milk beverages during the period under review. While the Group will maintain its presence in beverages sector, the Group will continue to shift its focus from beverages products to core and more profitable jelly products.

Other snacks products

Revenue of other snacks products decreased by approximately 39.1% to RMB8.2 million. The decrease was mainly due to temporary cessation in production and operation of our Jinjiang subsidiary in March and April 2022.

Cost of Sales and Gross Profit

Cost of sales decreased by approximately 0.3% to RMB233.0 million in the first half of 2022, mainly attributable to the corresponding decrease in sales. The gross profit decreased by approximately 9.5% to RMB115.6 million in the first half of 2022. The gross profit margin decrease from 35.3% in the first half of 2021 to 33.2% in the first half of 2022 mainly due to increase in cost of raw materials such as white sugar and carrageenan.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 12.8% to RMB57.1 million in the first half of 2022 primarily due to increase in advertising and promotion expenses by approximately 42.2% to RMB34.5 million during the period under review to promote its new retail, e-commerce, social media and society distribution channels.

Administrative Expenses

Administrative expenses decreased by approximately 6.1% to RMB43.0 million in the first half of 2022 as compared with the same period in 2021. This was mainly due to tighter costs controls exercised by the Group.

Income Tax Expense

During the six months ended 30 June 2022, the Group did not have any assessable income in Bermuda, BVI and Hong Kong. The subsidiaries in the PRC are subject to income tax rate of 25% on their taxable profit during the period. The income tax credit during the period under review was primarily due to the movements in deferred tax assets.

Net (Loss)/Profit for the Period

For the six months ended 30 June 2022, the Group recorded a net loss of RMB4.9 million, as compared with the net profit of RMB27.5 million in the same period last year. The main reasons for the Group's net loss during the six months ended 30 June 2022 was mainly due to (i) there were decreases in sales and gross profit margin by approximately RMB12.8 million and RMB12.1 million respectively due to temporary cessation in production and operation of our Jinjiang subsidiary in March and April 2022 and the increase in the costs of certain major raw materials; (ii) there was no gain on disposal of properties during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB13.4 million); and (iii) there was a loss on disposal of asset classified as held for sale in the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

Financial resources and liquidity

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

As at 30 June 2022, the bank balances and bank deposits amounted to RMB87.7 million which is RMB7.1 million more than the balance as at 31 December 2021. The increase in bank balances and bank deposits was mainly due to the Group had received proceeds from the disposal of asset classified as held for sale amounted to RMB36.0 million during the period under review, net of the decrease in bank borrowings of RMB18.2 million and the payment of interest expenses of RMB14.2 million.

As at 30 June 2022, the Group's gearing ratio (total borrowings divided by total equity) was 138.4% (As at 31 December 2021: 140.5%). The Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

The Group recorded net cash outflow from operating activities of RMB37.9 million in the first half of 2022 (2021: RMB151.5 million) which is significantly improved from the same period in last year. The improvement in operating cash flow for the period under review was mainly due to improvement in collection of trade receivables during the period under review. The Group has spent RMB1.7 million in investing activities in the first half of 2022 mainly for the upgrade of production lines of the production plants. In addition, the Group had received proceeds from the disposal of asset classified as held for sale of RMB36.0 million during the six months ended 30 June 2022. The Group has net cash outflow from financing activities of RMB29.3 million in the first half of 2022 mainly due to the Group has repaid approximately RMB18.2 million bank borrowings and paid interest expenses of RMB14.2 million during the period under review.

Capital expenditure

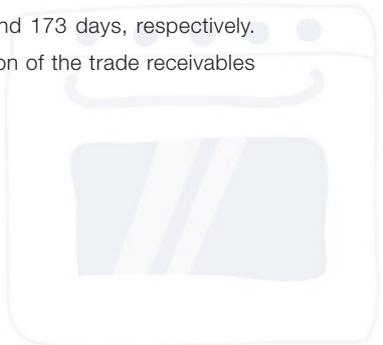
During the six months ended 30 June 2022, the Group incurred RMB1.7 million in capital expenditure mainly for the upgrade of production lines of the production plants.

Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. As at 30 June 2022, balance increased by RMB1.3 million from the beginning of the year. The inventories turnover days for the first half of 2022 and 2021 were 61 days and 69 days, respectively.

Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors. Balance decreased by RMB24.4 million from the beginning of the year. The trade receivables turnover days for the first half of 2022 and 2021 were 194 days and 173 days, respectively. Subsequent to the period end and up to the date of this interim report, approximately RMB117.9 million of the trade receivables were settled by the wholesale distributors.





MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Asset classified as held for sale

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

The Purchaser had fully settled the consideration of RMB180,000,000 in accordance with the Transfer Agreement and Jinjiang Construction had fully refunded the RMB40,000,000 land deposit to the Vendor. All the conditions precedent to the Transfer Agreement had been fulfilled, and the completion took place on 6 May 2022. Upon completion, the Vendor ceased to have any interest in the FJ Land Right.

A loss on disposal of the asset classified as held for sale of RMB20,923,000 was recorded during the six months ended 30 June 2022.

Trade payables

Trade payables mainly represent the balances due to the Group’s suppliers who generally grant credit terms ranging from 30 days to 60 days to the Group.

Trade payables turnover days for the six months ended 30 June 2022 and 2021 were 25 days and 87 days respectively.

Foreign exchange fluctuations

The Group earns revenue and incur costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against Hong Kong dollar and US dollar. During the six months ended 30 June 2022, the Group did not enter into forward contracts to hedge the foreign exchange exposures as the Directors considered the financial benefits of such forward contracts may not outweigh their costs.

Charges on assets

As at 30 June 2022, land use rights and buildings of the Group with carrying values of RMB90,519,000 (31 December 2021: RMB91,759,000) and RMB55,279,000 (31 December 2021: RMB63,989,000) respectively, were pledged to banks as securities for banking facilities granted to the Group.

Contingent liabilities

As at 30 June 2022, the Group had no contingent liabilities (31 December 2021: Nil).

DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECT

During the six months ended 30 June 2022, the consumer sentiment in the PRC has gradually recovered from the hit by the COVID-19 outbreak. The Group's sales was positively affected by the recovery of the consumer sentiment and the removal of lock-up measures in most areas of the PRC. The Directors considered that the COVID-19 outbreak will continued to have short-term pressure on the Group's business. However, it may also lead to an upgrade and consolidation opportunities of the food industry. As such, the Directors consider this is a good opportunity for the Group to expand its market share.

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

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





CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	348,603	361,351
Cost of sales		(232,997)	(233,660)
Gross profit		115,606	127,691
Other income	5	8,260	5,979
Other (loss)/gain, net	6	(21,093)	13,291
Reversal of allowance/(allowance) under expected credit losses model, net		6,549	(6,052)
Selling and distribution expenses		(57,147)	(50,680)
Administrative expenses		(43,031)	(45,803)
Operating profit		9,144	44,426
Finance income		38	382
Finance costs		(14,593)	(16,172)
Finance costs, net	7	(14,555)	(15,790)
(Loss)/profit before taxation	8	(5,411)	28,636
Taxation	9	534	(1,159)
(Loss)/profit and total comprehensive (loss)/gain for the period		(4,877)	27,477
(Loss)/profit per share attributable to equity holders of the Company (RMB per share)	10		
– Basic		(0.004)	0.021
– Diluted		(0.004)	0.021



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	12	90,857	92,097
Property, plant and equipment	12	257,079	274,263
Deposits for property, plant and equipment		7,169	47,595
Deferred tax assets		8,191	7,657
		363,296	421,612
Current assets			
Inventories		68,801	67,467
Trade receivables	13	359,490	383,923
Prepayments and other receivables		231,511	156,485
Cash and cash equivalents		87,678	80,567
		747,480	688,442
Asset classified as held for sale	14	–	180,000
		747,480	868,442
Total assets		1,110,776	1,290,054





CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2022

	Notes	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		470,030	470,030
Reserves		(72,267)	(67,390)
Total equity		397,763	402,640
LIABILITIES			
Non-current liability			
Deferred tax liabilities		15,846	15,846
		15,846	15,846
Current liabilities			
Trade and other payables	15	185,988	342,071
Bank borrowings	16	511,000	529,150
Lease liabilities		179	347
		697,167	871,568
Total liabilities		713,013	887,414
Total equity and liabilities		1,110,776	1,290,054
Net current assets/(liabilities)		50,313	(3,126)
Total assets less current liabilities		413,609	418,486

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Unaudited							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Share option reserves RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	
Balance as at 1 January 2022	470,030	615,656	(87,600)	184,506	-	(41)	(779,911)	402,640
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(4,877)	(4,877)
Balance as at 30 June 2022	470,030	615,656	(87,600)	184,506	-	(41)	(784,788)	397,763
Balance as at 1 January 2021	470,030	615,656	(87,600)	170,163	5,328	(41)	(705,692)	467,844
Profit and total comprehensive gain for the period	-	-	-	-	-	-	27,477	27,477
Balance as at 30 June 2021	470,030	615,656	(87,600)	170,163	5,328	(41)	(678,215)	495,321



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operations	(37,941)	(128,934)
Income tax paid	-	(22,567)
Net cash used in operating activities	(37,941)	(151,501)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,720)	(9,880)
Proceeds from disposal of the assets classified as held for sales	36,000	-
Proceeds from disposal of property, plant and equipment	-	19,369
Refund of deposits of right of use assets	40,000	-
Decrease in pledged bank deposits	-	15,938
Interest received	38	382
Net cash generated from investing activities	74,318	25,809
Cash flows from financing activities		
Proceeds from shareholder's loan	3,262	-
Repayment of shareholder's loan	-	(12,628)
Proceeds from borrowings	45,000	254,600
Repayments of borrowings	(63,319)	(339,055)
Interest paid	(14,209)	(16,172)
Net cash used in financing activities	(29,266)	(113,255)
Net increase/(decrease) in cash and cash equivalents	7,111	(238,947)
Cash and cash equivalents at the beginning of the period	80,567	258,839
Cash and cash equivalents at the end of the period	87,678	19,892



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1 GENERAL INFORMATION

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

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

The Company’s shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. The condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

The Group incurred a net loss of approximately RMB4,877,000 (six months ended 30 June 2021: net profit of approximately RMB27,477,000) for the six months ended 30 June 2022. As at 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately RMB3,126,000.

The directors of the Company have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2022. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

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



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

2 BASIS OF PREPARATION *(Continued)*

(1) Financial support from substantial shareholder

Mr. Zheng Yu Long, the substantial shareholder of the Company who have already provided the aggregate amount of approximately RMB39,352,000 loan from a loan facility of RMB60,000,000 to the Group, have agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 30 June 2022.

(2) Alternative sources of external funding

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

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2021.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2021, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples IFRS 16, and IAS 41

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated interim financial information and/or disclosures set out in the condensed consolidated interim financial information.



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

3 FINANCIAL RISK MANAGEMENT

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

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

4 SEGMENT INFORMATION

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

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

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

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

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

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





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

4 SEGMENT INFORMATION (Continued)

Geographical information

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

During the six months ended 30 June 2022 and 2021, none of the individual customer account for 10% or more of the Group's external revenue. As at 30 June 2022 and 31 December 2021, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

Segment revenue and results

	Unaudited				
	Six months ended 30 June 2022				
	Jelly products	Confectionary products	Beverages products	Other snacks products	Reportable segments total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Sales to external customers	323,165	14,722	2,475	8,241	348,603
Cost of sales	(213,762)	(10,872)	(3,587)	(4,776)	(232,997)
Gross profit/(loss)	109,403	3,850	(1,112)	3,465	115,606
Results of reportable segments	56,226	1,554	(1,516)	2,195	58,459

Note: For sales to external customer, the revenue is recognized at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

4 SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

	Unaudited				Reportable segments total RMB'000
	Six months ended 30 June 2022				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	
Results of reportable segments					58,459
Corporate income					8,260
Loss on disposal of asset classified as held for sale					(20,923)
Corporate expenses					(36,652)
Operating profit					9,144
Finance income					38
Finance costs					(14,593)
Loss before taxation					(5,411)
Taxation					534
Loss for the period					(4,877)
Amounts included in the measure of segment profit or loss:					
Capital expenditure	1,621	-	99	-	1,720
Depreciation of right-of-use assets	772	-	468	-	1,240
Depreciation of property, plant and equipment	19,096	-	132	103	19,331
Reversal of allowance under expected credit losses model on trade receivables	(6,071)	(277)	(46)	(155)	(6,549)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

4 SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

Note: For sales to external customer, the revenue is recognized at a point in time. All revenue contracts are for period of one year or less. As permitted by practical expedient under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	Unaudited				
	Six months ended 30 June 2021				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
Results of reportable segments					77,010
Corporate income					5,979
Gain on disposal of properties					13,363
Corporate expenses					(51,926)
Operating profit					44,426
Finance income					382
Finance costs					(16,172)
Profit before taxation					28,636
Taxation					(1,159)
Profit for the period					27,477
Amounts included in the measure of segment profit or loss:					
Capital expenditure	4,227	-	5,653	-	9,880
Depreciation of right-of-use assets	772	-	468	-	1,240
Depreciation of property, plant and equipment	20,295	-	50	386	20,731
Allowance under expected credit losses model on trade receivables	5,495	311	19	227	6,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

5 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rental income	1,935	1,609
Government subsidy	1,722	2,504
Sundry income	4,589	1,818
Gain on sale of scrap materials	14	48
	8,260	5,979

6 OTHER (LOSS)/GAIN, NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Gain on disposal of properties	-	13,363
Loss on disposal of asset classified as held for sale	(20,923)	-
Net exchange loss	(170)	(72)
	(21,093)	13,291



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

7 FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Finance costs:		
Interest expenses on bank borrowings	(14,209)	(15,794)
Interest expenses on loan from a director	(384)	(378)
Total finance costs	(14,593)	(16,172)
Finance income:		
Interest income on bank deposits	38	382
Total finance income	38	382
Finance costs, net	(14,555)	(15,790)

8 (LOSS)/PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cost of inventory sold	180,359	207,564
Advertising and promotion expenses	34,522	24,270
Freight and transportation expenses	4,427	2,304
Staff cost (including directors' remunerations)		
– Salaries and bonuses	48,037	49,143
– Employer's contribution to defined contribution plans	2,278	1,713
Depreciation of property, plant and equipment	19,331	20,731
Depreciation of right-of-use assets	1,240	1,240
(Reversal of allowance)/allowance under expected credit losses model, net	(6,549)	6,052
Loss on disposal of asset classified as held for sale	20,923	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

9 TAXATION

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax – PRC Enterprise Income Tax	–	2,055
Deferred tax, net	(534)	(896)
	(534)	1,159

Hong Kong Profits Tax, Bermuda and BVI income tax

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision of Hong Kong Profits Tax, Bermuda and BVI Income Tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the six months ended 30 June 2022 and 2021.

PRC Enterprise Income Tax

PRC Enterprise Income Tax has been provided at rate of 25% (2021: 25%) on taxable profit of the Group's PRC subsidiaries during the six months ended 30 June 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

10 (LOSS)/PROFIT PER SHARE

(a) Basic (loss)/profit per share

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
Net (loss)/profit attributable to the equity holders of Company (RMB'000)	(4,877)	27,477
Weighted average number of ordinary shares in issue for basic (loss)/profit per share ('000)	1,328,977	1,328,977
Basic (loss)/profit per share (RMB per share)	(0.004)	0.021

(b) Diluted (loss)/profit per share

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

11 DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

12 CAPITAL EXPENDITURE

	Right-of-use assets RMB'000	Unaudited Property, plant and equipment RMB'000	Total RMB'000
Six months ended 30 June 2022			
Cost			
As at 1 January 2022	124,613	1,553,441	1,678,054
Additions	–	2,147	2,147
As at 30 June 2022	124,613	1,555,588	1,680,201
Accumulated depreciation			
As at 1 January 2022	32,516	1,279,178	1,311,694
Depreciation	1,240	19,331	20,571
As at 30 June 2022	33,756	1,298,509	1,332,265
Net book value			
As at 30 June 2022	90,857	257,079	347,936

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

As at 30 June 2022, buildings of the Group in the PRC with net book value of RMB55.3 million (31 December 2021: RMB64.0 million) and land use rights in the PRC of RMB90.5 million (31 December 2021: RMB91.8 million) were pledged as security for short-term bank borrowings.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

12 CAPITAL EXPENDITURE (Continued)

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

13 TRADE RECEIVABLES

The Group's revenue are generally on credit term of 180 days (2021: 180 days). As at 30 June 2022, the ageing analysis of trade receivables, based on invoice date, and net of allowance for credit losses, is as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Less than 30 days	61,052	64,605
31 days – 90 days	94,978	42,179
91 days – 180 days	74,766	67,728
Over 180 days	128,694	209,411
	359,490	383,923



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

14 ASSET CLASSIFIED AS HELD FOR SALE

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

The Purchaser had fully settled the consideration of RMB180,000,000 in accordance with the Transfer Agreement and Jinjiang Construction had fully refunded the RMB40,000,000 land deposit to the Vendor. All the conditions precedent to the Transfer Agreement had been fulfilled, and the completion took place on 6 May 2022. Upon completion, the Vendor ceased to have any interest in the FJ Land Right.

A loss on disposal of asset classified as held for sale of RMB20,923,000 was recorded during the six months ended 30 June 2022.

15 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Trade payables	15,690	21,654
Accrued expenses	17,625	35,341
Directors’ fees and emoluments payable	19,310	18,268
Loan from a director (Note (i))	39,352	36,090
Other payables and sundry creditors (Note (ii))	94,011	230,718
	185,988	342,071

Notes:

- (i) As at 30 June 2022, the Company has drawn down an aggregate amount of approximately RMB39,352,000 (31 December 2021: RMB36,090,000) from a loan facility of RMB60,000,000 (31 December 2021: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.
- (ii) As at 31 December 2021, the Group received RMB144,000,000 deposit of the assets classified as held for sale from the Purchaser in accordance with the terms of the Transfer Agreement. The disposal was completed during the six months ended 30 June 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

15 TRADE AND OTHER PAYABLES (Continued)

The credit periods granted by suppliers generally range from 30 to 60 days. As at 30 June 2022, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Less than 30 days	11,188	14,450
31 days – 90 days	3,460	5,362
Over 90 days	1,042	1,842
	15,690	21,654

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

16 BANK BORROWINGS

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Secured bank borrowings	455,050	468,200
Unsecured bank borrowings	55,950	60,950
Total bank borrowings	511,000	529,150
Carrying amount of bank borrowings wholly repayable:		
On demand or within 1 year	511,000	529,150


NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: (Continued)
17 COMMITMENTS**Capital commitments**

As at 30 June 2022, the Group had the following capital commitments in respect of right-of-use asset and property, plant and equipment:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Authorised but not contracted for a right-of-use asset	–	50,000

18 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personnel compensation

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Directors' fee	294	304
Salaries and other employee benefits	1,831	2,115
	2,125	2,419

(b) Loan from a director

As at 30 June 2022, the Company has drawn down an aggregate amount of approximately RMB39,352,000 (31 December 2021: RMB36,090,000) from a loan facility of RMB60,000,000 (31 December 2021: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

(c) Personal guarantee provided by directors

Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, have provided personal guarantee to bank borrowings of the Group of approximately RMB325,050,000 (31 December 2021: RMB345,983,000). The bank borrowings are repayable within one year.

19 EVENT AFTER THE REPORTING PERIOD

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



OTHER INFORMATION

SHARE OPTION SCHEME

New Share Option Scheme

On 23 June 2021, the Company conditionally adopted a new share option scheme (the “**New Share Option Scheme**”) whereby the Board can grant options for the subscription of Shares to any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Company or any of its subsidiaries; and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board will contribute or have contributed to the Company and/or any of its subsidiaries (the “**Eligible Participants**”) and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. To be an Eligible Participant, the over-riding principle is that the person must have contributed or will contribute to the Group. The terms of the New Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules, which governs the terms of the share option schemes of listed companies and their subsidiaries. The maximum number of Shares that can be issued according to the New Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the adoption of the New Share Option Scheme which was 132,897,700 Shares, representing 10% of the issued share capital of the Company as at the date of this interim report.

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

The New Share Option Scheme shall take effect from the date it is granted and shall remain effective within a period of 10 years from that relevant date of grant.

No options have been granted under the New Share Option Scheme since its adoption on 23 June 2021 and during the six months ended 30 June 2022.

During the six months ended 30 June 2022 and the year ended 31 December 2021, no options were granted to a Director, chief executive or substantial shareholder of the Company nor an associate (as defined in the Listing Rules) of any of them.



OTHER INFORMATION *(Continued)*

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

As at 30 June 2022, the interest and short positions of the directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the “Model Code”), are as follows:

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

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

Note:

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



OTHER INFORMATION *(Continued)*

INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES *(Continued)*

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

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

Save as disclosed above, as at 30 June 2022, none of the directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2022, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

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

Notes:

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

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2022.



OTHER INFORMATION *(Continued)*

CONNECTED TRANSACTION

As at 30 June 2022, the Company has drawn down an aggregate amount of approximately RMB39,352,000 (31 December 2021: RMB36,090,000) from a loan facility of RMB60,000,000 (31 December 2021: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

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

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the Group had approximately 1,420 employees and total remuneration expenses for the six months ended 30 June 2022 amounted to RMB50.3 million. The employees' salaries are reviewed and adjusted annually based on employee's performance and experience. The Group's employee benefits include performance bonus, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

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

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the period ended 30 June 2022. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the period under review.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established in compliance with Rules 3.21 and 3.22 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with written terms of reference in compliance with the Code Provision on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Chung Yau Tong (chairman), Mr. Li Biao and Ms. Sun Kam Ching (replaced by Ms. Guo Li on 2 September 2022).

The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2022.





OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2022, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set forth therein the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. The Company has made specific enquiries with all directors of the Company and all the directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the six months ended 30 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float throughout the period for the six months ended 30 June 2022.