



Natural Food International Holding Limited
五谷磨房食品國際控股有限公司

(Registered by way of continuation in the Cayman Islands with limited liability)

Stock code: 1837

INTERIM REPORT
2023



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. GUI Changqing
Mr. ZHANG Zejun

Non-executive Directors

Ms. TSE Cheung On Anne
Mr. WANG Duo

Independent Non-executive Directors

Mr. ZHANG Senquan
Mr. HU Peng
Mr. OUYANG Liangyi

AUDIT COMMITTEE

Mr. ZHANG Senquan (Chairman)
Mr. HU Peng
Mr. OUYANG Liangyi

REMUNERATION COMMITTEE

Mr. HU Peng (Chairman)
Mr. ZHANG Senquan
Mr. OUYANG Liangyi

NOMINATION COMMITTEE

Mr. OUYANG Liangyi (Chairman)
Ms. GUI Changqing
Mr. HU Peng

COMPANY SECRETARY

Mr. CHAN Yik Pun, HKICPA

AUTHORISED REPRESENTATIVES

Mr. ZHANG Zejun
Mr. CHAN Yik Pun, HKICPA

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 01837

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

7th Floor, West Tower
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Binhai Community, Yuehai Street
Nanshan District
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1003, 10th Floor Asia Standard Tower,
59-65 Queens Road Central,
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309, Uglan House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

<http://www.szwgmf.com>

AUDITORS

Ernst & Young
Certified Public Accountants

Corporate Information

HONG KONG LEGAL ADVISOR

Jingtian & Gongcheng LLP
Suites 3203-3207
Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO BOX 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
Ping An Bank
Bank of Communications

Management Discussion and Analysis

At the beginning of 2023, with the gradual recovery of the society and people's livelihood, the macroeconomic situation has been improving. In the first half of the year, China's GDP increased by 5.5% year-on-year, and retail sales of social consumer goods increased by 8.2% year-on-year. At the same time, China's current economic recovery was still at an early stage, and the recovery trend of different industries has been uneven. Sustained recovery in the future requires strong support from vigorous domestic demand.

Although China has launched a number of policies to benefit the consumer market, the current international environment is still complex and volatile. With the global economy slowing down, China, as an important part of the global economy, will inevitably be impacted to a certain extent. Assuming that the potential of domestic demand is to be released, supporting steady economic growth may be the focus of future economic development.

At the same time, consumers are also showing new consumption trends as compared to the past: the continuous improvement of living standards promotes the continuous development of the high-end consumer goods market and consumers are increasingly pursuing quality and are also more rational. In addition, consumers' diverse demands for consumption value are providing more market opportunities to brands with brand advantages, supply chain advantages and mutual empowerment advantages of online and offline channels.

Management Discussion and Analysis

BUSINESS REVIEW

BRANDS

WUGU MOFANG (五谷磨房)

As the No. 1 brand of nutritious and healthy food in China, Wugu Mofang has been providing consumers with a variety of healthy and nutritious grain breakfast powder with one-step nutrition under the brand promise of “good raw materials, additive-free and more professional” for 17 years. Wugu Mofang has been searching for high-quality ingredients all over the world. It takes famous origins and natural freshness as the selection criteria. From the storage of ingredients to the delivery of finished products, they must go through thorough quality inspections. Wugu Mofang has established a full-chain quality assurance system from the land to the dining table to realize “producing healthy food that we and our family can enjoy the most”. In terms of products, “Top Grade Eight Treasures (上品八珍)” (a cereal meal with prebiotics, yam, tangerine peel and poria cocos) was newly launched. It combines traditional Chinese classic dietary nutrition formula with modern nutritional science and is a dietary nourishment (藥食同源) mild to the stomach, inheriting brand classics while maintaining brand vitality. In addition, “Prebiotics Eight Treasures (益元八珍)” (a food product with nuts, yams and cereals), as a classic breakfast cereal drink product that has been selling well for more than ten years, has been widely loved by consumers for its highlight of “warming the spleen and stomach without burden”. In terms of channels, rooting in offline counters as the main channel, we have created dietary nutrition stores for the whole family, guaranteed consumers an excellent consumption experience with excellent services, and always remained sensitive to consumer needs.

Wugu Mofang has always attached great importance to the scientific nature and precision of products. Therefore, we jointly established the “Modern Dietary Nutrition Research and Development Centre (現代食養研發中心)” with the Chinese Nutrition Society and the “Dietary Nutrition Black Sesame Research Centre (食養黑芝麻研究中心)” with the Oil Crops Research Institute of the Chinese Academy of Agricultural Sciences, and have long-term in-depth cooperation with a number of professional institutions and nutritionists, from research on the nutritional value of raw materials to product formulations, in order to provide consumers with more scientific and precise products.

Management Discussion and Analysis

BLACK NUTRITION (黑之養)

With black sesame seeds as the representative ingredient, we provide various products, including Chinese grain health powder and Chinese health snacks, to young and middle-aged consumers to meet different consumption scenarios, with a view to energising their daily healthy lives and keeping them young. In terms of products, we continued to focus on the eating experience and taste improvement of the flagship product “Walnut Black Soy Sesame Powder (核桃黑豆芝麻粉)” to keep improving the product and strengthening the characteristics of fragrant and smooth taste. In terms of channels, with the high-potential online channels as the starting point, it has won the title of “No. 1 Natural Powder Flagship Product (天然粉粉第一大單品)” in various online channels for many years and expansion and distribution of new channels were driven relying on the brand potential. In terms of promotion, we focused on “Walnut Black Soy Sesame Powder (核桃黑豆芝麻粉)” and carried out matrix promotion on social media platforms such as Douyin and Xiaohongshu, in order to emphasize the message of black ingredients and black sesame being good for maintaining a youthful mind.

While jointly establishing the “Dietary Nutrition Black Sesame Research Centre (食養黑芝麻研究中心)” with the Oil Crops Research Institute of the Chinese Academy of Agricultural Sciences to conduct in-depth research on the nutritional value of black sesame, we have also successfully seeded and raised “Black Nutrition 1 (黑之養1號)”, a new dietary nutrition black sesame seed. This new seed is richer in nutritional elements than ordinary black sesame, empowering the dietary nutrition industry with technological innovation.

LITTLE GENIUS (小天才)

With walnuts as its representative ingredient, it has become one of the first choices of healthy snacks for children in the form of Chinese health snacks to impress young and sophisticated mothers. “Little Genius (小天才)” adhered to Wugu Mofang Group’s mission of “producing healthy food that we and our family can enjoy the most”. In terms of core raw material control and production line control, a higher standard of “mother standard” has been adopted to bring safe, nutritious and delicious product experience to children. During the six months ended 30 June 2023 (the “Period”), the product has demonstrated encouraging growth potential and prospects by contributing 11.4% of the revenue from E-commerce channels.

Looking forward to the second half of the year, although the strong consumer demand and consumer confidence still need to be boosted, we always firmly believe that consumers will continue to pursue a healthy and high-quality life. We will also start from consumers’ aspects and grasp their preferences and needs. We will capture consumers’ minds through “good raw materials, additive-free and more professional” products, and enhance the penetration of the brand in consumers’ minds. By continuously improving products and improving quality, we can provide consumers with a more satisfying product consumption and purchase experience. We will give full play to our advantages in flexible supply chain and professional research and development, continue to innovate and improve products, and strive to provide more products with dietary nourishment (藥食同源) which are beneficial to various subdivided health needs to consumers. We will continue to optimize the relationship with consumers, deliver stronger and emotionally resonant values, and make the brand the first nutritional choice for consumers, and finally realize the vision of “becoming the No. 1 new Chinese dietary nutrition brand”.

Management Discussion and Analysis

SALES CHANNELS

E-COMMERCE CHANNELS

After several years of development, the market structure of e-commerce and the resulting consumer behaviors and habits have undergone structural changes. On the basis of ensuring the uniform output of the brand image on all platforms and improving the penetration in consumers' minds, we have adopted a customized marketing strategy according to the styles and rules of different platforms. We have stepped up to penetrate various online channels, so as to carry out precise marketing for different customer groups and strive to achieve the combination of product and effect. Against the backdrop of the ever-changing platform rules and popularity, we focused on the development of live streaming, especially self-broadcasting and content marketing, in order to enhance the cohesion between consumers and the brand.

During the Period, the e-commerce platform recorded revenue of RMB359.3 million, representing a year-on-year increase of 10.0%. Among which, social media platforms, represented by Douyin and Kuaishou, contributed approximately 43.0% of revenue, and have become one of the most important components of our e-commerce channels.

During 618 this year, Wugu Mofang has once again become the No.1 brand of two categories, drinks and food supplement powder, in Tmall 618 in terms of first-day sales and the No. 1 cereal drink on JD.com.

OFFLINE CHANNELS

During the Period, revenue from the new channel business increased by 34.9% year-on-year to RMB110.8 million. The number of sales outlets increased by 65.0%. In terms of this channel, we adopted the strategy of “flagship product and multiple specifications” to give full play to the leading position of the “Walnut Black Soy Sesame Powder (核桃黑豆芝麻粉)” series and expand the influence of popular products. We continued to explore the successful channel experience to form a reference and copy it to wider channels, in order to improve our coverage in target channels. In terms of promotion, we focused on high-yield investment activities and continued to create stores with high-average unit price.

In terms of the concessionary counters business, we recorded revenue of RMB403.8 million, representing a year-on-year decrease of 6.5%. This was mainly due to the decrease in the number of concessionary counters (the corresponding period in 2022: 2,234; the corresponding period in 2023: 1,966, representing a year-on-year decrease of 12.0%). The average output of single store increased by 6.3% year-on-year. This was mainly attributable to the fact that we have seized the opportunity to launch a variety of gift box products that meet gift needs and the contribution of the new product “Top Grade Eight Treasures (上品八珍)”.

Looking forward to the future, our goals are to rapidly develop the channel business as the core growth driver, vigorously develop and stabilize the leading brand position in various traditional e-commerce and emerging social media e-commerce platforms, fully mobilize our long-established brand and sales advantages in terms of concessionary counters, and work together to create an omni-channel model with mutual empowerment.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group sells its products through an extensive network of offline concessionary counters, new channel as well as online channels, including major e-commerce platforms. The following table sets out a breakdown of the Group's revenue by sales channel, each expressed in the absolute amount and as a percentage to its total revenue, for the periods indicate:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Offline channels	514,601	58.9	513,798	61.1
Offline concessionary counter	403,754	46.2	431,610	51.4
New channel business	110,847	12.7	82,188	9.8
Online channels	359,252	41.1	326,613	38.9
E-commerce platforms	359,252	41.1	326,613	38.9
Total	873,853	100.0	840,411	100.0

For the six months ended 30 June 2023, absolute amounts of revenue generated from sales through its offline and online channels increased as compared to the corresponding period in 2022 and total revenue increased from RMB840.4 million for the six months ended 30 June 2022 to RMB873.9 million for the six months ended 30 June 2023. As a percentage to the total revenue, revenues generated from sales through the offline channels decreased to approximately 58.9% for the Period from approximately 61.1% for the corresponding period in 2022, while revenue generated from sales through online channels increased from approximately 38.9% for the six months ended 30 June 2022 to approximately 41.1% for the Period. The increase in revenue was due to an increase in the revenue generated from both online and offline channels.

Revenue generated from sales through offline channels has remained stable and showed slight positive growth primarily due to the increase in sales through new channel business which is mitigated by the decrease in sales through offline concessionary counter.

The increase in sales through online channels was mainly attributable to (i) the excellent sales performance recorded for the flagship product "Walnut Black Soy Sesame Powder (核桃黑豆芝麻粉)" and (ii) the E-commerce team's good operation of the traditional E-commerce channels while setting up and operating other social E-commerce platforms including Douyin Store, which successfully contributed to the significant increase in revenue generated from online channels.

Management Discussion and Analysis

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 6.0% from RMB297.6 million for the six months ended 30 June 2022 to RMB315.4 million for the Period, which was mainly attributable to (i) an increase in sales volume and production volume that led to the increase in raw material cost, packaging and other materials cost and direct labor cost; (ii) an increase in depreciation cost and indirect labor cost that led to the increase in manufacturing cost; and (iii) an increase in transportation expenses related to fulfilling the customer contracts.

Gross profit of the Group increased from approximately RMB542.8 million for the six months ended 30 June 2022 to approximately RMB558.5 million for the Period. The gross profit margin decreased from approximately 64.6% for the six months ended 30 June 2022 to approximately 63.9% for the Period, it was primarily due to the increase in percentage of revenue derived from online channels, and the gross profit margin of products sold through online channels was relative low.

Other Income and Gains

Other income and gains of the Group increased by RMB1.8 million from approximately RMB9.0 million for the six months ended 30 June 2022 to approximately RMB10.8 million for the Period, which was mainly attributable to (i) an increase in bank interest income, because of the increase in the average bank balance; (ii) an increase in the interest income from financial assets measured at fair value through profit or loss and (iii) a decrease in government subsidies.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of advertising expenses, commission expenses, labour service expenses of salesmen, salary and employee benefit expenses, sales promotion expenses and others. The selling and distribution expenses decreased from approximately RMB440.9 million for the six months ended 30 June 2022 to approximately RMB426.4 million for the Period, which was mainly attributable to (i) the combined effects of the following factors: (i) a decrease in the number of offline concessionary counters and salesman staffs that led to the decrease in labor service expenses of salesmen of offline channels; (ii) a decrease in commission expenses during the Period due to the decreased revenue from offline concessionary counters and reduced output from the online influencer live streaming segment; (iii) a decrease in promotional expenses mainly due to a decrease in the average number of offline concessionary counters and fewer promotional activities in offline supermarkets; and (iv) an increase in advertisement promotion expenses mainly due to a significant boost in sales and marketing activities on online platforms, particularly the Douyin platform during the Period.

Management Discussion and Analysis

Administrative Expenses

The Group's administrative expenses primarily comprise salary and employee benefit expenses, other taxes and fees, office expenses, intermediary service fees, depreciation and amortization, research and development expenses, share based payment expenses and others. The administrative expenses basically increased from approximately RMB41.2 million for the six months ended 30 June 2022 to approximately RMB41.3 million for the Period. The increase was mainly due to the combined effects of the following factors: on the one hand, (i) an increase in other taxes and fees because of the payment of Guangzhou Nansha land occupation tax and property tax; and (ii) an increase in share based payment expenses due to the adoption of share award scheme on 28 March 2022 and the grant of a total of 7,200,000 award shares to 6 Selected Participants under the share award scheme during the Period; and on the other hand; (iii) a decrease in the salary and employee benefit expenses, which was mainly attributed to reduced financial compensation resulting from employee layoffs; (iv) the decrease in research and development project expenses led to a reduction in R&D expenditure.

Impairment Losses on Financial Assets

The Group recorded an impairment losses of financial assets of approximately RMB0.04 million for the Period, while the Group recorded an impairment losses of financial assets of approximately RMB1.1 million for the six months ended 30 June 2022, it was mainly attributable to a decrease in overdue trade and bills receivables balances.

Other Expenses

The other expenses of the Group increased by approximately RMB0.2 million from approximately RMB0.2 million for the six months ended 30 June 2022 to approximately RMB0.4 million for the Period, which was mainly attributable to an increase in other non-operating expense mainly resulting from an increase in donation expenses.

Management Discussion and Analysis



Finance Costs

The Group's finance costs decreased from approximately RMB0.3 million for the six month ended 30 June 2022 to approximately RMB0.2 million for the Period, which was primarily due to the reduction in lease liabilities resulting from a decrease in interest expense on lease liabilities.

Profit Before Tax

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB101.0 million for the Period, as compared to a profit before tax of approximately RMB68.0 million for the six months ended 30 June 2022.

Income Tax Expense

The Group's income tax expense increased from approximately RMB15.6 million for the six month ended 30 June 2022 to approximately RMB17.8 million for the Period. The Group's effective tax rates for the Period was different from the PRC statutory income tax rate of 25%. The difference was mainly attributable to income derived from preliminary agricultural proceed products which was not subject to income tax in China.

Profit for the Period

The Group recorded a profit of approximately RMB83.2 million for the Period, as compared to a profit of the Group of approximately RMB52.4 million for the six months ended 30 June 2022.

Management Discussion and Analysis

FINANCIAL RESOURCES REVIEW

Working Capital and Financial Resources

	As at 30 June 2023 (RMB million)	As at 31 December 2022 (RMB million)
Trade and bills receivables	173.8	191.6
Trade payables	57.9	84.9
Inventories	64.4	81.9
Trade receivables turnover days ⁽¹⁾	39	39
Trade payables turnover days ⁽²⁾	41	43
Inventory turnover days ⁽³⁾	42	48

Notes:

- (1) Trade receivables turnover days = number of days in the reporting period x (average balance of trade receivables at the beginning and at the end of the relevant period)/revenue in the reporting period.
- (2) Trade payables turnover days = number of days in the reporting period x (average balance of the trade payables at the beginning and at the end of the relevant period)/cost of sales in the reporting period.
- (3) Inventory turnover days = number of days in the reporting period x (average balance of inventory at the beginning and at the end of the relevant period)/cost of sales in the reporting period.

The decrease in trade and bills receivables was primarily attributable to tight control of the credit terms granted to its customers and reduction of the credit period granted by the Group. The trade receivables turnover days remained stable.

The decrease in trade payables and the trade payables turnover days was mainly attributed to the tight control of the credit terms granted from its suppliers and reduction of the credit period granted to the Group by suppliers.

The decrease in inventories and the decrease in inventory turnover days was primarily attributable to the Group's implementation of rigid inventory control measures during the Period.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2023, the Group's cash and cash equivalents amounted to RMB880.4 million, representing an increase of approximately 12.7% from RMB781.3 million as at 31 December 2022.

The Group's primary uses of cash were payment for suppliers, daily operating expenses, purchase of financial assets (i.e. wealth management products), purchase of items of property, plant and equipment. The Group financed its liquidity requirements through cash flows generated from its operating activities and proceeds from redemption of financial assets.

As at 30 June 2023, the Group had net current asset of RMB950.3 million, as compared with net current asset of RMB839.2 million as at 31 December 2022.

Currency Exposure and Management

The Group operates its business in China and conducts domestic business in RMB. Substantially all of the Group's assets are denominated in RMB, and the Group mainly incurs cost in HK\$ and RMB. The Group is exposed to foreign exchange risk with respect mainly to HK\$ which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of HK\$ and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

Contingent Liabilities

As at 30 June 2023, the Group had no contingent liabilities.

Pledge of Assets

As at 30 June 2023, the Group did not pledge any assets.

Gearing Ratio

As at 30 June 2023, the Group's gearing ratio (calculated by dividing total debt by total assets as of the end of each period) was approximately 0.5% (31 December 2022: 0.7%).

Management Discussion and Analysis

Employees and Remuneration Policy

As at 30 June 2023, the Group had 694 employees, as compared with 697 employees as at 31 December 2022. For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of RMB73.5 million, representing a decrease of approximately 2.3% from RMB75.2 million during the corresponding period in 2022. The Group will regularly review its remuneration policy and the benefits granted to its employees with reference to market practice and the performance of individual employees. The Company has adopted robust internal training policies, pursuant to which management, technology and other training is regularly provided to our employees by in-house trainers or third-party consultants.

The Group has also adopted the share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. As at 31 December 2022, 63,692,502 share options were outstanding. During the Period, no share options had been cancelled and exercised. As at 30 June 2023, 63,692,502 share options were outstanding.

In addition, the Company has also adopted the share award scheme on 28 March 2022. As at 31 December 2022, 18,800,000 award shares were outstanding. During the Period, 7,200,000 award shares were granted, 1,560,000 award shares had been lapsed and 17,240,000 award shares vested. As at 30 June 2023, 7,200,000 award shares were outstanding.

Further details of the share option scheme and the share award scheme are set out in the sections headed "Corporate Governance and Other Information – Share Option Scheme" and "Corporate Governance and Other Information – Share Award Scheme" respectively of this interim report.

Significant Acquisition, Disposal or Investment

During the Period, the Group did not have any significant acquisition and disposals of subsidiaries and associated companies, or significant investment.

Future Plans for Material Investments or Capital Assets

There were no plans for material investments or capital assets during the Period and up to the date of this Interim Report.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2023, the interests or short positions of the Directors or chief executives of the Company then in office in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, are as follows:

Long position in ordinary shares of the Company:

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of Shareholding
Mr. ZHANG Zejun (Note 2)	Founder of a discretionary trust	930,000,000 (L)	42.49%
Ms. GUI Changqing (Note 2)	Beneficiary of trust	930,000,000 (L)	42.49%

Long position in share options of the Company:

Name of Director	Number of share options beneficially owned
Ms. GUI Changqing	2,000,000
Mr. ZHANG Zejun	2,000,000
Mr. ZHANG Senquan	2,000,000
Mr. HU Peng	2,000,000
Mr. OUYANG Liangyi	2,000,000

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Trident Trust Company (HK) Limited, the trustee of the Paddy Aroma Trust, holds the entire issued share capital of Paddy Aroma Investment Limited. Paddy Aroma Investment Limited in turn holds the entire issued share capital of Natural Capital Holding Limited, which in turn directly holds 930,000,000 Shares. The Paddy Aroma Trust is a discretionary trust established by Mr. ZHANG Zejun (as the settlor) and the discretionary beneficiaries of which include Mr. ZHANG Zejun, Ms. GUI Changqing (the wife of Mr. ZHANG Zejun) and his children. Accordingly, each of Mr. ZHANG Zejun, Ms. GUI Changqing, Trident Trust Company (HK) Limited, Paddy Aroma Investment Limited are deemed to be interested in the 930,000,000 Shares held by Natural Capital Holding Limited.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) 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 he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2023, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name	Capacity	Number of Shares	Approximate percentage of Shareholding
Trident Trust Company (HK) Limited (Note 2)	Trustee of a trust	930,000,000 (L)	42.49%
Paddy Aroma Investment Limited (Note 2)	Interest in a controlled corporation	930,000,000 (L)	42.49%
Natural Capital Holding Limited (Note 2)	Beneficial owner	930,000,000 (L)	42.49%
PepsiCo, Inc.	Beneficial owner	566,506,000 (L)	25.88%
Mr. YANG Zhuoya (Note 3)	Interest in controlled corporation; beneficial owner	183,784,000 (L)	8.39%
Natural Investment Holding Limited (Note 3)	Beneficial owner	27,794,000 (L)	1.27%
Beadvance Investments Limited (Note 3)	Beneficial owner	150,000,000 (L)	6.85%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Trident Trust Company (HK) Limited, the trustee of the Paddy Aroma Trust, holds the entire issued share capital of Paddy Aroma Investment Limited. Paddy Aroma Investment Limited in turn holds the entire issued share capital of Natural Capital Holding Limited, which in turn directly holds 930,000,000 Shares. The Paddy Aroma Trust is a discretionary trust established by Mr. ZHANG Zejun (as the settlor) and the discretionary beneficiaries of which include Mr. ZHANG Zejun, Ms. GUI Changqing (the wife of Mr. ZHANG Zejun) and his children. Accordingly, each of Mr. ZHANG Zejun, Ms. GUI Changqing, Trident Trust Company (HK) Limited, Paddy Aroma Investment Limited are deemed to be interested in the 930,000,000 Shares held by Natural Capital Holding Limited.
- (3) Mr. YANG Zhuoya holds 5,990,000 Shares in the capacity as a beneficial owner. Mr. YANG Zhuoya holds the entire issued share capital of Natural Investment Holding Limited and Beadvance Investments Limited, which in turn directly holds 27,794,000 Shares and 150,000,000 Shares respectively. Accordingly, Mr. YANG Zhuoya is deemed to be interested in the 27,794,000 Shares held by Natural Investment Holding Limited and 150,000,000 Shares held by Beadvance Investments Limited.

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2023, so far as the Directors or chief executive of the Company are aware, no other persons (other than a Director or the chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended June 30, 2023, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiary during the Period.

CORPORATE GOVERNANCE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and formulate its business strategies and policies as well as to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the “**CG Code**”) as set out in Part II of Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code.

The Board is of the opinion that the Company has complied with all the provisions set out in the CG Code during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the listing of the Company on the Main Board of the Stock Exchange on 12 December 2018, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. All Directors have confirmed that they complied with the provisions of the Model Code during the six months ended 30 June 2023.

Corporate Governance and Other Information

SHARE OPTION SCHEME

On 19 November 2018, the Shareholders approved and conditionally adopted the Share Option Scheme to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. The Share Option Scheme became effective on the Listing Date.

The following is a summary of the principal terms of the Share Option Scheme:

(1) Purpose:

The purpose of the Share Option Scheme is to incentivise and reward the Eligible Persons (as defined in paragraph 2 below) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

(2) Participants:

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of the Company, consultant, advisor, customer, supplier, agent, partner or contractor to the Group ("**Eligible Persons**").

(3) Total number of Shares available for issue:

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 222,100,000 Shares, representing 10% of the total number of issued Shares as at the Listing Date.

(4) Maximum entitlement of each participant:

No options shall be granted to any Eligible Person under the Share Option Scheme and any other schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates) abstaining from voting.

Corporate Governance and Other Information

Each grant of options to a Director (including an independent non-executive Director) of any member of our Group or associated company of our Company, chief executive or substantial shareholder of our Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Any Shareholder who is a connected person of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person may vote against such resolution subject to the requirements of the Listing Rules. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(5) Period during which the options must be exercised to subscribe for Shares:

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

(6) Minimum period for which an option must be held before it can be exercised:

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Board.

Corporate Governance and Other Information

(7) Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid:

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(8) Basis of determining the exercise price:

Subject to any adjustment made as set out in the section headed “Effect of alternation to share capital” in the Prospectus, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(9) Remaining life of the Share Option Scheme:

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 12 December 2018, subject to earlier termination by the Company in general meeting or by the Board. As at the date of this interim report, the remaining life of the Share Award Scheme is approximately five years and three months.

Corporate Governance and Other Information

The Company granted 74,018,823 share options on 12 June 2019 at an exercise price of HK\$1.468 per share and exercisable from the 12 June 2019 to 11 December 2028 (both days inclusive). The closing price of the Shares immediately before the date of grant of such Share Options was HK\$1.45. Among the 74,019,823 Share Options granted, (i) 61,468,366 Share Options were granted to the employees of the Group, and (ii) 12,551,457 Share Options were granted to Directors (including the independent non-executive Director), chief executive and/or substantial shareholder (as defined in the Listing Rules) of the Company and directors of subsidiaries of the Company, details of which are set out as follows:

Name of grantee	Position in the Company	Number of Share Options
Ms. GUI Changqing	Chairman and Executive Director	2,000,000
Mr. ZHANG Zejun	Chief executive officer and Executive Director	2,000,000
Mr. ZHANG Senquan	Independent non-executive Director	2,000,000
Mr. HU Peng	Independent non-executive Director	2,000,000
Mr. OUYANG Liangyi	Independent non-executive Director	2,000,000
Mr. GUI Xuejun	A director of certain subsidiaries of the Company	1,279,021
Mr. LIAO Longxiang	A director of certain subsidiaries of the Company	100,000

None of the grant of Share Options were subject to Shareholders' approval. The Share Options granted shall vest in the proposed grantees in accordance with the timetable below:

- (i) 13,860,000 Share Options shall be subject to a vesting period as follows:

Vesting date	Percentage of Share Options to vest
12 June 2020 to 11 December 2028	100% of the total number of Share Options granted

- (ii) 22,000,000 Share Options shall be subject to a vesting period as follows:

Vesting date	Percentage of Share Options to vest
12 December 2019 to 11 December 2028	50% of the total number of Share Options granted
12 December 2020 to 11 December 2028	50% of the total number of Share Options granted

- (iii) 23,159,823 Share Options shall be subject to a vesting period as follows:

Vesting date	Percentage of Share Options to vest
12 June 2019 to 11 December 2028	40% of the total number of Share Options granted
12 June 2020 to 11 December 2028	30% of the total number of Share Options granted
12 June 2021 to 11 December 2028	30% of the total number of Share Options granted

Corporate Governance and Other Information

(iv) 15,000,000 Share Options shall be subject to a vesting period as follows:

Vesting date	Percentage of Share Options to vest
12 June 2020 to 11 December 2028	20% of the total number of Share Options granted
12 June 2021 to 11 December 2028	20% of the total number of Share Options granted
12 June 2022 to 11 December 2028	20% of the total number of Share Options granted
12 June 2023 to 11 December 2028	20% of the total number of Share Options granted
12 June 2024 to 11 December 2028	20% of the total number of Share Options granted

During the six months ended 30 June 2023, no share options had been cancelled or exercised. As at 30 June 2023, 63,692,502 share options were outstanding.

Details of the options remained outstanding and at 30 June 2023 are as follows:

Name and class of grantees	Date of grant	Balance as at 1 January 2023	Number of share options			Balance as at 30 June 2023	Exercise price per share (HK\$)	Exercisable period
			Granted during the six months ended 30 June 2023	Exercised during the six months ended 30 June 2023	Cancelled/ Lapsed during the six months ended 30 June 2023			
Executive Directors								
Ms. GUI Changqing	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Mr. ZHANG Zejun	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Independent non-executive Directors								
Mr. ZHANG Senquan	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Mr. HU Peng	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Mr. OUYANG Liangyi	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
		10,000,000	-	-	-	10,000,000		
Continuous contract employees								
	12 June 2019	4,000,000	-	-	-	4,000,000	1.468	Note a
	12 June 2019	17,242,502	-	-	-	17,242,502	1.468	Note b
	12 June 2019	19,000,000	-	-	-	19,000,000	1.468	Note c
	12 June 2019	12,450,000	-	-	-	12,450,000	1.468	Note d
		52,692,502	-	-	-	52,692,502		
Those who have or may have contributed to the Group								
	12 June 2019	1,000,000	-	-	-	1,000,000	1.468	Note a
		1,000,000	-	-	-	1,000,000		
		63,692,502	-	-	-	63,692,502		

Corporate Governance and Other Information

- (a) 20% of the share options are exercisable commencing from 12 June 2020, 20% of the share options are exercisable commencing from 12 June 2021, 20% of the share options are exercisable commencing from 12 June 2022, 20% of the share options are exercisable commencing from 12 June 2023, 20% of the share options are exercisable commencing from 12 June 2024 respectively to 11 December 2028.
- (b) 40% of the share options are exercisable commencing from 12 June 2019, 30% of the share options are exercisable commencing from 12 June 2020, 30% of the share options are exercisable commencing from 12 June 2021 respectively to 11 December 2028.
- (c) 50% of the share options are exercisable commencing from 12 December 2019, 50% of the share options are exercisable commencing from 12 December 2020 respectively to 11 December 2028.
- (d) 100% of the share options are exercisable commencing from 12 June 2020 to 11 December 2028.

As at 1 January 2023 and 30 June 2023, 148,081,177 and 148,081,177 share options were available for grant under the scheme mandate respectively.

SHARE AWARD SCHEME

The Board has resolved to adopt the Share Award Scheme on 28 March 2022.

1. Objective

The objectives of the Share Award Scheme are: (i) to recognize the contributions of certain employees of the Group provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

2. Administration

The Share Award Scheme is subject to the administration of the Board in accordance with the rule of the Share Award Scheme (the “**Scheme Rules**”).

3. Scheme Limit

The Board shall not make any further award of restricted share units (“**RSU(s)**”) which will result in the aggregate number of the Awarded Shares (as defined below) underlying the RSUs awarded by the Board under the Share Award Scheme exceeding ten per cent. of the issued share capital of the Company from time to time throughout the trust period, which is term of ten years commencing on 28 March 2022. Awards lapsed in accordance with the terms of the Share Award Scheme shall not be counted for the purpose of calculating the ten per cent. limit. The maximum number of Awarded Shares underlying the Share Award Scheme which may be awarded to a selected participant under the Share Award Scheme shall not exceed one per cent. of the issued share capital of the Company in any 12-month period.

4. Voting Rights

The trustee (who is an independent third party) appointed by the Board to manage the Share Award Scheme (“**Trustee**”), the Board and the authorised representatives appointed by the Board by passing ordinary resolutions delegated with authority to give instructions or notices to the Trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the Trust (if any) shall not exercise any voting rights attached to any Shares held on the trust constituted by the trust deed (the “**Trust**”).

Corporate Governance and Other Information

5. Restrictions

The Awarded Shares awarded to the employee(s) selected by the Board pursuant to the Scheme Rules to participate in the Share Award Scheme (the “**Selected Employee(s)**”) under the Share Award Scheme shall be personal to such employee and shall not be transferable. Each of the Selected Employees shall not sell, transfer, pledge or create any encumbrance by any means in respect of the unvested Awarded shares. The Selected Employee(s) are not entitled to any rights attached to the unvested such number of Shares awarded by the Board pursuant to the Scheme Rules (the “**Awarded Shares**”), including but not limited to any voting right and entitlement to dividends that have accrued prior to the vesting of such Awarded Shares. If any Director or authorised representatives appointed by the Board by passing ordinary resolutions delegated with authority to give instructions or notices to the Trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the Trust possesses unpublished inside information in relation to the Company, or where dealings by Directors are prohibited under any code or requirement of the Listing Rules or any applicable laws from time to time, no payment shall be made to the Trustee and no instructions to acquire Shares shall be given to the Trustee under the Share Award Scheme. Further, the Board shall not award any Awarded Shares during the periods in which dealing in Shares is prohibited pursuant to the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

6. Operation

Pursuant to the Share Award Scheme, the Board may from time to time instruct the Trustee to purchase the existing Shares in the open market, and determine, among other things, the timing of awards, list of selected employees, number of Awarded Shares, vesting dates and conditions of vesting mainly based on the overall results and performance of the Group and contributions made by the employees. Unless otherwise determined by the Board at its discretion, the Trustee shall hold Awarded Shares until such Shares are vested in the selected employees in accordance with the Scheme Rules.

7. Vesting and Lapse

Unless otherwise determined by the Board at its discretion, the relevant Awarded Shares held by the Trustee on behalf of the selected employees on Trust shall not vest in the relevant selected employee in the following circumstances: (i) the selected employee ceases to be a selected employee for whatever reason; or (ii) other circumstances as provided in the Scheme Rules. Upon occurrence of any of the above circumstances, any Awarded Shares awarded but have not been vested in the selected employee will be returned to the Trust in accordance with the Scheme Rules. In respect of a selected employee who retires at his normal retirement date at any time prior to a Vesting Date, all the Awarded Shares of such selected employee shall be deemed to be vested on the day immediately prior to his retirement at his normal retirement date.

8. Remaining life of the Share Award Scheme

The Share Award Scheme shall be valid and effective for a period of ten years commencing on 28 March 2022, subject to earlier termination by the Company in general meeting or by the Board. As at the date of this interim report, the remaining life of the Share Award Scheme is approximately eight years and six months.

Corporate Governance and Other Information

Details of the Share Awards granted under the Share Award Scheme

In 12 April 2022, the Company has appointed Futu Trustee Limited (the “Trustee”) as a trustee for the purpose of the Share Award Scheme pursuant to the Share Award Scheme Rules. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Trustee and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. The Trustees shall administer the Share Award Scheme in accordance with the Share Award Scheme Rules and the respective Trust Deed signed between the Company and Trustee.

Details of the Share Awards granted pursuant to the Share Award Scheme to the grantees are set out below:

Number of Share Awards

Category of Participant	Date of Award	Number of Share Awards	Purchase price	Vesting Period	Unvested at 1 January 2023	Granted during the Period	Vested during the Period	Lapsed during the Period	Cancelled during the Period	Unvested at 30 June 2023
Share Awards settled by the Shares repurchased by the Trustee on the open market										
Employees of the Group	11 May 2022	18,800,000	-	12 May 2023	18,800,000	-	17,240,000	1,560,000	-	-
Employees of the Group	25 May 2023	7,200,000	-	25 May 2024	-	7,200,000	-	-	-	7,200,000
Total		26,000,000	-		18,800,000	7,200,000	17,240,000	1,560,000	-	7,200,000

Notes:

- Please refer to note 21 to the financial statements for more details (including the vesting conditions, if any) of the above Share Awards, and please refer to Group’s annual report for details of the accounting policy of share-based payments.
- For the Share Awards granted on 11 May 2022, the closing price of the Shares on 10 May 2022, being the trading date immediately before the relevant grant date, was HK\$0.425. The fair value of the relevant Share Awards was HK\$7,100,000 (equivalent to RMB6,086,000), which was determined using the Finnerly model of HKD0.38 per share) as at the grant date.
- For the Share Awards granted on 25 May 2023, the closing price of the Shares on 24 May 2023, being the trading date immediately before the relevant grant date, was HK\$0.45. The fair value of the relevant Share Awards was HK\$2,765,000 (equivalent to RMB2,544,000), which was determined using the Finnerly model (HK\$0.38 per share) as at the grant date.
- For the Share Awards granted on 25 May 2023, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, none of the Selected Participants (i) are Directors, chief executives or substantial shareholders of the Company or their respective associates or otherwise a connected person of the Company; (ii) with awards granted and to be granted in excess of the 1% individual limit; or (iii) with awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue.
- The weighted average closing price of the Shares immediately before the dates on which the Share Awards were vested during the Period was HKD0.485 per Share.
- The Share Award Scheme does not involve any issue of new shares.

As at 1 January 2023 and 30 June 2023, 200,051,400 and 192,851,400 share awards were available for grant under the scheme mandate respectively.

Save as disclosed above, there has been no Share Awards granted under the Share Award Scheme during the Period.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board of Directors do not recommend any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

EVENTS AFTER THE PERIOD

The Group has no significant subsequent events after 30 June 2023 which are required to be disclosed as at the date of this report.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the global offering of the Company's offer Shares amounted to approximately HK\$636.8 million (after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Global Offering). The following table sets forth the use of proceeds by the Group as at 30 June 2023:

	Budget (HK\$ million)	Accumulated amount utilised as at 31 December 2022 (HK\$ million)	Amount utilised during the Period (HK\$ million)	Remaining balance as at 30 June 2023 (HK\$ million)	Expected timeline for unutilised Net Proceeds
To further enhance the integrated distribution platform and optimise our channel mix	222.9	222.9	–	–	N/A
– To expand the online presence through further developing the technology infrastructure	22.3	22.3	–	–	N/A
– To upgrade certain existing concessionary counters into integrated health food stores in supermarkets	22.3	22.3	–	–	N/A
– To further increase the number of the concessionary counters, including the related expense for decoration, equipment procurement and other fees	44.6	44.6	–	–	N/A
– To expand into and introduce our existing and/or new products at various high frequency “on-the-go” consumption channels	133.7	133.7	–	–	N/A
To construct the new Nansha Manufacturing Facility in Guangzhou, Guangdong Province and the procurement of machinery and equipment for this planned processing facility	382.1	287.0	1.9	93.2	By end of 2024
To use for general corporate purposes	31.8	31.8	–	–	N/A
Total	636.8	541.7	1.9	93.2	

Corporate Governance and Other Information

As at 30 June 2023, the Group holds the unutilised net proceeds as deposit with creditworthy banks with no recent history of default. There has been no change to the intended use of net proceeds as previously disclosed in the prospectus of the Company dated 29 November 2018. The proceeds were used and are proposed to be used as and when appropriate based on the Group's business needs according to the intentions previously disclosed in the prospectus of the Company.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Mr. Zhang Senquan resigned as an independent non-executive director of Sang Hing Holdings (International) Limited (生興控股(國際)有限公司) with effect from 30 April 2023, the shares of which are listed on the Stock Exchange (stock code: 1472).

Save as disclosed above, there have been no changes in the information of Directors and chief executive of the Company since the publication of the 2022 annual report up to the date of this interim report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

As of the date of this report, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Zhang Senquan, Mr. Hu Peng and Mr. Ouyang Liangyi, the independent non-executive Directors of the Company. The chairman of the Audit Committee is Mr. Zhang Senquan.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the financial information of the Group for the six months ended 30 June 2023. The consolidated financial information for the six months ended 30 June 2023 have been reviewed by the Company's independent auditor, Ernst & Young 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 Accountant.

Independent review report



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To the board of directors of Natural Food International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 30 to 56, which comprise the condensed consolidated statement of financial position of Natural Food International Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made 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 HKICPA. A review of interim financial information 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.

Independent review report (Continued)

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2023

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	5	873,853	840,411
Cost of sales		(315,360)	(297,602)
Gross profit		558,493	542,809
Other income and gains	5	10,784	8,950
Selling and distribution expenses		(426,366)	(440,941)
Administrative expenses		(41,299)	(41,213)
Impairment losses on financial assets		(40)	(1,115)
Other expenses		(388)	(203)
Finance costs	7	(205)	(335)
PROFIT BEFORE TAX	6	100,979	67,952
Income tax expense	8	(17,809)	(15,597)
PROFIT FOR THE PERIOD		83,170	52,355
Attributable to:			
Owners of the parent		83,170	52,355
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		0.039	0.024
Diluted		0.039	0.024

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		83,170	52,355
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(16,869)	(22,380)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		20,309	27,678
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		86,610	57,653
Attributable to:			
Owners of the parent		86,610	57,653

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	292,378	305,998
Right-of-use assets		41,116	44,867
Prepayments, other receivables and other assets	14	6,657	–
Intangible assets		318	391
Deferred tax assets		48,785	62,283
Total non-current assets		389,254	413,539
CURRENT ASSETS			
Inventories	12	64,448	81,865
Trade and bills receivables	13	173,836	191,583
Prepayments, other receivables and other assets	14	53,556	38,876
Amount due from related parties	19	10,116	11,098
Cash and cash equivalents	15	880,430	781,337
Restricted bank deposits	15	557	556
Total current assets		1,182,943	1,105,315
CURRENT LIABILITIES			
Trade payables	16	57,905	84,888
Contract liabilities		9,481	12,155
Other payables and accruals		112,135	114,145
Lease liabilities		6,352	6,532
Tax payable		46,741	48,371
Total current liabilities		232,614	266,091
NET CURRENT ASSETS		950,329	839,224
TOTAL ASSETS LESS CURRENT LIABILITIES		1,339,583	1,252,763

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		–	48
Deferred tax liabilities		10,794	9,924
Lease liabilities		1,642	4,736
Total non-current liabilities		12,436	14,708
Net assets		1,327,147	1,238,055
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	147	147
Reserves		1,327,000	1,237,908
Total equity		1,327,147	1,238,055

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital	Shares held for the share award scheme	Share premium	Share option reserve	Share award reserve	Merger reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 17)			(Note 20)	(Note 21)					
At 1 January 2023 (audited)	147	(17,804)	1,102,722	28,990	3,682	(87,350)	(19,245)	33,638	193,275	1,238,055
Profit for the year	-	-	-	-	-	-	-	-	83,170	83,170
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(16,869)	-	-	(16,869)
Translation from functional currency to presentation currency	-	-	-	-	-	-	20,309	-	-	20,309
Total comprehensive income for the year	-	-	-	-	-	-	3,440	-	83,170	86,610
Equity-settled share option arrangements	-	-	-	332	-	-	-	-	-	332
Equity-settled share award expense	-	-	-	-	2,150	-	-	-	-	2,150
Vested awarded shares transferred to employees	-	6,944	(1,363)	-	(5,581)	-	-	-	-	-
Transfer to statutory reserve funds	-	-	-	-	-	-	-	1,902	(1,902)	-
At 30 June 2023 (unaudited)	147	(10,860)*	1,101,359*	29,322*	251*	(87,350)*	(15,805)*	35,540*	274,543*	1,327,147

* These reserve accounts comprise the consolidated reserves of RMB1,327,000,000 (31 December 2022: RMB1,237,908,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

	Attributable to owners of the parent									Total
	Share capital	Shares held for the share award scheme	Share premium	Share option reserve	Share award reserve	Merger reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	147	-	1,102,722	28,080	-	(87,350)	(29,811)	33,091	77,360	1,124,239
Profit for the period	-	-	-	-	-	-	-	-	52,355	52,355
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(22,380)	-	-	(22,380)
Translation from functional currency to presentation currency	-	-	-	-	-	-	27,678	-	-	27,678
Total comprehensive income for the period	-	-	-	-	-	-	5,298	-	52,355	57,653
Shares purchased for the share award scheme	-	(6,820)	-	-	-	-	-	-	-	(6,820)
Equity-settled share option arrangements	-	-	-	544	-	-	-	-	-	544
Equity-settled share award arrangements	-	-	-	-	949	-	-	-	-	949
Transfer to statutory reserve funds	-	-	-	-	-	-	-	351	(351)	-
At 30 June 2022 (unaudited)	147	(6,820)	1,102,722	28,624	949	(87,350)	(24,513)	33,442	129,364	1,176,565

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	100,979	67,952
Adjustments for:		
Bank interest income	(3,155)	(1,509)
Income from financial assets measured at fair value through profit or loss	(5,635)	(3,205)
Finance costs	205	335
Depreciation of property, plant and equipment	16,304	11,352
Depreciation of right-of-use assets	3,538	3,268
Amortisation of intangible assets	72	130
Impairment losses of trade receivables and other receivables, net	40	1,115
Loss on disposal of items of property, plant and equipment	25	7
Equity-settled share option expenses	332	544
Equity-settled share award expenses	2,150	949
	114,855	80,938
Decrease in inventories	17,417	9,450
Decrease/(increase) in trade and bills receivables	17,707	(35,956)
Increase in prepayments, other receivables and other assets	(14,680)	(4,489)
Decrease/(increase) in amounts due from related parties	981	(162)
(Increase)/decrease in restricted bank deposit	(1)	332
Decrease in trade payables	(26,983)	(8,195)
Decrease in other payables and accruals	(1,985)	(12,187)
Decrease in contract liabilities	(2,674)	(1,996)
Decrease in amounts due to related parties	–	(200)
Decrease in deferred income	(48)	(108)
	104,589	27,427
Cash generated from operations	104,589	27,427
Interest received	3,155	1,509
Income tax paid	(5,071)	(3,170)
	102,673	25,766
Net cash flows from operating activities	102,673	25,766

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash flows from operating activities	102,673	25,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at fair value through profit or loss	(423,000)	(309,200)
Proceeds from redemption of financial assets measured at fair value through profit or loss	428,635	312,405
Purchase of items of property, plant and equipment	(9,820)	(9,252)
Purchase of items of intangible assets	–	(228)
Proceeds from disposal of items of property, plant and equipment	433	–
Net cash flows used in investing activities	(3,752)	(6,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(205)	(335)
Principal portion of lease payments	(3,060)	(3,091)
Share repurchased	–	(6,820)
Net cash flows used in financing activities	(3,265)	(10,246)
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,656	9,245
Cash and cash equivalents at beginning of period	781,337	646,015
Effect of foreign exchange rate changes, net	3,437	5,673
CASH AND CASH EQUIVALENTS AT END OF PERIOD	880,430	660,933
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	880,430	660,933

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

The Company was formerly known as Roomy Development Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands (the “BVI”) on 30 November 2009. It was registered by way of continuation in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands and changed its name to “Natural Food International Holding Limited” on 11 May 2018. The address of the registered office of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 December 2018 (the “Listing”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in processing and selling natural health food in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments did not have material impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in processing and selling natural health food. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The Group operates within one geographical location because 100% of its revenue was generated in the PRC and all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

The Group's customers primarily consist of individual customers. For the six-month ended 30 June 2023, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (for the six months ended 30 June 2022: nil).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

5. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, and trade discounts (net of value-added tax) for the six months ended 30 June 2023 and 2022.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue from contracts with customers		
Sale of goods	873,853	840,411
Timing of revenue recognition		
Goods transferred at a point in time	873,853	840,411

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Other income and gains		
Government grants*	1,310	2,946
Bank interest income	3,155	1,509
Income from financial assets measured at fair value through profit or loss	5,635	3,205
Commission income from provision of a sales platform	106	590
Others	578	700
	10,784	8,950

* Various government grants have been received from local government authorities in the PRC. There are no unfulfilled conditions and other contingencies relating to these grants.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Cost of inventories sold	315,360	297,602
Depreciation of property, plant and equipment	16,304	11,352
Depreciation of right-of-use assets	3,538	3,268
Lease payments not included in the measurement of lease liabilities	1,366	1,403
Research and development costs*	2,511	2,728
Amortisation of intangible assets	72	130
Employee benefit expense (excluding directors' and chief executive's remuneration and research and development costs):		
Wages and salaries	64,930	66,432
Equity-settled share option expenses	107	174
Equity-settled share award expenses	2,150	949
Pension scheme contributions	6,348	6,502
Impairment of trade and bills receivables**	40	1,115
Loss on disposal of items of property, plant and equipment	25	7
Income from financial assets measured at fair value through profit or loss	(5,635)	(3,205)
Finance costs	205	335
Bank interest income	(3,155)	(1,509)

* Research and development costs is included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

** Impairment of trade and bills receivables is included in "Impairment of financial assets" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

7. FINANCE COSTS

An analysis of finance costs from operations is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interests on lease liabilities	205	335

8. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the British Virgin Islands and the Cayman Islands, the Group is not subject to any income tax in the British Virgin Islands and the Cayman Islands during the period (six months ended 30 June 2022: Nil).

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period (six months ended 30 June 2022: Nil).

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the "PRC Tax Law") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC was 25% (six months ended 30 June 2022: 25%) on their taxable profits for the six months ended 30 June 2023 and 2022.

For the six months ended 30 June 2023 and 2022, income arising from the preliminary agricultural processed products in Guangxi Guiping Jingu Agricultural Development Co., Ltd. and Hubei Fuya Food Science and Technology Co., Ltd. was not subject to income tax, pursuant to the relevant PRC tax laws.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

8. INCOME TAX (Continued)

The major components of income tax expenses in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current – PRC		
Charge for the period	3,441	7,308
Deferred tax	14,368	8,289
Total tax charge for the period	17,809	15,597

9. INTERIM DIVIDENDS

The board of directors do not recommend any payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share for the period is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the period is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of the ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

(Continued)

The calculations of basic and diluted earnings per share are based on:

Earnings	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	83,170	52,355

Shares	For the six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	2,151,027,644	2,184,209,714
Effect of dilution – weighted average number of ordinary shares:		
Share award	365,265	1,919,952
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	2,151,392,909	2,186,129,666

The share option had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share for the period ended 30 June 2023 and 2022.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a cost of RMB2,860,000 (six months ended 30 June 2022: RMB4,854,000), and incurred construction in progress at a cost of RMB381,000 (six months ended 30 June 2022: RMB140,000).

Assets with a net book value of RMB458,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB7,000). The net loss on disposal of items of property, plant and equipment is included in note 6 to the financial statements.

During the six months ended 30 June 2023, no impairment loss was recognised (30 June 2022: Nil).

12. INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Raw materials	21,025	23,846
Work in progress	1,860	2,606
Finished goods	33,809	45,564
Consumables	7,754	9,849
	64,448	81,865

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

13. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	179,558	195,685
Bills receivable	3,603	5,183
Impairment	(9,325)	(9,285)
	173,836	191,583

The Group's trading terms with its sales channels are mainly on credit. The credit period is generally one month, extending up to three months for major sales channels. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified sales channels, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	170,521	185,901
1 to 2 months	1,942	2,956
2 to 3 months	259	1,136
Over 3 months	1,114	1,590
	173,836	191,583

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current portion:		
Prepayments for items of property, plant and equipment	6,657	–
Current portion:		
Prepayments	14,236	6,423
Deposits	5,997	4,507
Value-added tax recoverable	9,493	10,559
Employee advances	16,046	8,853
Other receivables	11,012	11,762
Impairment allowance	(3,228)	(3,228)
	53,556	38,876

Other receivables are unsecured, interest-free and repayable on demand.

The Group has applied the general approach to provide for expected credit losses for financial assets included in prepayments, other receivables and other assets if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, there were measured based on lifetime expected credit loss. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

15. CASH AND CASH EQUIVALENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	880,430	781,337
Restricted bank deposits	557	556
	880,987	781,893
Less: Restricted bank deposits	(557)	(556)
Cash and cash equivalents	880,430	781,337
Denominated in:		
– RMB	761,840	668,826
– HK\$	119,147	113,067
	880,987	781,893

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

16. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 month	46,130	62,223
1 to 2 months	10,082	19,612
2 to 3 months	365	1,672
Over 3 months	1,328	1,381
	57,905	84,888

The trade payables are non-interest-bearing and are normally settled on 15 to 60 days' terms.

17. SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid:		
2,188,514,000 (2022: 2,188,514,000) ordinary shares	147	147

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Capital commitments	6,118	6,206

As at 30 June 2023 and 31 December 2022, the amounts of capital commitments were related to the purchase of property, plant and equipment.

19. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

Sales of goods to related parties:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shenzhen Jingya Natural Food Science and Technology Co., Ltd. ("Shenzhen Jingya")	–	76
Pepsico Foods (China) Co., Ltd.	–	485
	–	561

The sales prices offered to Shenzhen Jingya were based on a cost-plus approach with a mark-up margin. Shenzhen Jingya is controlled by Wei Qiuping, the sister-in-law of Mr. Zhang Zejun, a director of the Company. Shenzhen Jingya purchased goods from the Group during the six months ended 30 June 2023 and 2022.

The sales prices offered to Pepsico Foods (China) Co., Ltd. were made according to the published prices.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

(1) Amount due from related parties:

		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Shenzhen Jingya	(i)	10,116	11,098

- (i) The balances of amounts due from related parties are unsecured, interest-free and repayable on demand. The balances as at 30 June 2023 and 31 December 2022 were trade in nature.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short term employee benefits	2,448	2,448
Post-employment benefits	51	52
Equity-settled share option expense	225	295
	2,724	2,795

The related party transactions in respect of items (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

20. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include employees (whether full time or part-time) or directors of a member of the Group or associated companies of the Company, consultants, advisors, customers, suppliers, agents, partners or contractors to the Group. The Share Option Scheme became effective from 12 June 2019 and, unless otherwise cancelled or amended, will remain in force for 9.5 years from that date.

The following share options were outstanding under the Share Option Scheme of the Company during the period:

	Date of grant	Numbers of share options			At 30 June 2023	Exercise period (both dates inclusive)	Exercise price per share
		At 1 January 2023	Exercised during the period	Forfeited during the period			
(i)	12/06/2019	12,450,000	-	-	12,450,000	12/06/2020-11/12/2028	HK\$1.468
(ii)	12/06/2019	19,000,000	-	-	19,000,000	12/12/2019-11/12/2028	HK\$1.468
(iii)	12/06/2019	17,242,502	-	-	17,242,502	12/06/2019-11/12/2028	HK\$1.468
(iv)	12/06/2019	15,000,000	-	-	15,000,000	12/06/2020-11/12/2028	HK\$1.468
		63,692,502	-	-	63,692,502		

The Group recognised share option expenses of RMB332,000 for the six months ended 30 June 2023.

As at 30 June 2023, the Company had 63,692,502 share options outstanding under the Share Option Scheme.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

21. SHARE AWARD SCHEME

A share award scheme was adopted on 28 March 2022 (the “Share Award Scheme”). The Share Award Scheme is a share incentive scheme and is established to recognise the contributions by certain selected persons and to attract suitable individuals with experience and ability to further development and expansion of the Group.

The awarded shares will be acquired by an independent trustee (the “Trustee”) from the open market by utilizing the Company’s resources provided to the Trustee.

During the year ended 2022, the Company purchased 39,848,000 of its ordinary shares through the Trustee at prices ranging from HK\$0.40 to HK\$0.50 per share at a total consideration of approximately HK\$19,931,000 (equivalent to approximately RMB17,804,000).

Subject to any early termination as may be determined by the board of directors pursuant to the terms of the Share Award Scheme, the scheme will be valid and effective for a term of 10 years commencing on the date of the trustee deed.

On 11 May 2022, the Company granted 18,800,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2022. The fair value of the granted shares is estimated using the Finterty model (HK\$0.38) on the day of the grant, amounting to HK\$7,100,000 (equivalent to approximately RMB6,086,000). Since the Adoption Date and up to 30 June 2023, a total of 17,240,000 awarded shares had been awarded under the Share Award Scheme.

On 25 May 2023, the Company granted 7,200,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2023. The fair value of the granted shares is estimated using the Finterty model (HK\$0.38) on the day of the grant, amounting to HK\$2,765,000 (equivalent to approximately RMB2,544,000).

The Group recognised a share award expense of RMB2,150,000 for the six months ended 30 June 2023.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 June 2023 and 31 December 2022, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, financial liabilities included in other payables and accruals and trade payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

23. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant subsequent events after 30 June 2023 which are required to be disclosed as at the date of this report.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 were approved and authorised for issue by the board of directors of the Company on 29 August 2023.