



JIA YAO HOLDINGS LIMITED

嘉耀控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 01626



INTERIM
REPORT
2021



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FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of Jia Yao Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020.

- Revenue for the six months ended 30 June 2021 increased by approximately 23.7% or RMB61.5 million to approximately RMB321.0 million as compared with the corresponding period in 2020.
- Gross profit for the six months ended 30 June 2021 increased by approximately 4.1% or RMB1.3 million to approximately RMB33.7 million as compared with the corresponding period in 2020.
- Gross profit margin for the six months ended 30 June 2021 decreased by approximately 2.0% from approximately 12.5% to approximately 10.5% as compared with the corresponding period in 2020.
- Loss attributable to owners of the Company decreased from approximately RMB6.6 million for the six months ended 30 June 2020 to approximately RMB6.5 million for the six months ended 30 June 2021.
- Average trade and note receivables turnover days decreased from approximately 78 days for the year ended 31 December 2020 to approximately 65 days for the six months ended 30 June 2021.
- Average trade and note payables turnover days decreased from approximately 198 days for the year ended 31 December 2020 to approximately 183 days for the six months ended 30 June 2021.
- Average inventory turnover days decreased from approximately 108 days for the year ended 31 December 2020 to approximately 106 days for the six months ended 30 June 2021.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

Notes:

- (i) Gross profit margin was calculated based on gross profit for the period divided by the revenue for the period.
- (ii) Average trade and note receivables turnover days were calculated as the average of the beginning and ending of trade and note receivables balance of the year end/period end divided by the revenue for the year/period and multiplied by the number of days for the year/period (366 days for the year ended 31 December 2020 and 181 days for the six months ended 30 June 2021).
- (iii) Average trade and note payables turnover days were calculated as the average of the beginning and ending of trade and note payables balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (366 days for the year ended 31 December 2020 and 181 days for the six months ended 30 June 2021).
- (iv) Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance of the year end/period end divided by the cost of sales for the year/period and multiplied by the number of days for the year/period (366 days for the year ended 31 December 2020 and 181 days for the six months ended 30 June 2021).

Board of Directors

Executive Director

Mr. Yang Yoong An (*Chairman*)

Non-executive Directors

Mr. Feng Bin
Mr. Yang Fan

Independent Non-executive Directors

Mr. Gong Jinjun
Mr. Zeng Shiquan
Mr. Wang Ping

Company Secretary

Mr. Wu Hung Wai (*HKICPA*)

Registered Office

Second Floor, Century Yard, Cricket Square,
P.O Box 902
Grand Cayman, KY1-1103
Cayman Islands

Headquarter and Principal Place of Business in the PRC

No. 6 Qingdao Road
Dongshan Economic Developing District
Yichang, Hubei

Principal Place of Business in Hong Kong

Suite 3212, 32nd Floor, Tower One, Times Square
No.1 Matheson Street, Causeway Bay
Hong Kong

Audit Committee

Mr. Wang Ping (*Chairman*)
Mr. Gong Jinjun
Mr. Zeng Shiquan

Remuneration Committee

Mr. Gong Jinjun (*Chairman*)
Mr. Yang Fan
Mr. Wang Ping

Nomination Committee

Mr. Yang Yoong An (*Chairman*)
Mr. Zeng Shiquan
Mr. Gong Jinjun

Corporate Website

www.jiayaoholdings.com

Authorised Representatives

Mr. Yang Fan
Mr. Wu Hung Wai

Principal Bankers

China Merchants Bank Yichang Branch
Hubei Bank Corporation Yichang Branch

Principal Share Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square,
P.O Box 902
Grand Cayman, KY1-1103
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Legal Adviser as to Hong Kong Laws

Loong & Yeung
Room 1603, 16th Floor, China Buildings
29 Queen's Road Central
Central, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor
22/F., Prince's Building
Central, Hong Kong



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim report of the Company for the six months ended 30 June 2021.

In the first half of 2021, as Coronavirus Disease 2019 ("COVID-19") pandemic still raged across countries with a spurring uptick of delta variant cases, China also witnessed a resurgence of COVID-19 cases early this year. Fortunately, the effective pandemic control measures imposed by the Chinese government prevented a widespread outbreak. Moreover, with the roll out of vaccines and increase in public health awareness, the global economy has been gradually recovering since the second half of 2020. However, the prolonged trade war between the U.S. and China, whereby the tariff on Chinese goods remains intact, has posed adverse effects on China's economy during the Review Period.

Amid tough market environment, the Group was committed to propelling a stable business development and strived to maintain close connections with its suppliers and other business partners. The Group's operation was gradually resuming back on track during the Review Period with a 23.7% increase in revenue to RMB321.0 million. Leveraging the Group's solid industry position, quality excellence and experienced and dedicated team, it successfully secured more orders from customers.

During the Review Period, the Group reexamined its own shortcomings, and actively reviewed its internal operations and production processes and cost controls. Faced with the continuous increase in costs and difficulty in recruiting workers in the mainland China, the Group adopted effective cost control measures. It streamlined the structure for saving and reserving resources while optimising its production and management processes, with a view to laying a solid foundation for healthy business development in the post-pandemic era.

With economies recovering in many parts of the world, the Group remains optimistic towards the economy of China and development of the tobacco industry. Capitalising on the Group's strong foundation and the robust demand in the tobacco industry, the management is confident to overcome any difficulties ahead and strives for a positive result. Internally, the Group will continue to prioritise measures to sustain its competitive strength and carry out various cost control initiatives, so as to further enhance the production efficiency and performance of the Group.

I would like to express my gratitude for the continued support of all our shareholders, investors, suppliers and customers. As always, our management team and employees will align and leverage all resources available towards maximizing returns for our shareholders.

Yang Yoong An

Chairman of the Board and Executive Director

Hong Kong, 27 August 2021



Market Review

In the first half of 2021, Coronavirus Disease 2019 (“COVID-19”) pandemic continued to spread around the world with delta variant cases rapidly emerging in several major Southeast Asian economies. In China, although there was a resurgence of COVID-19 cases in Beijing and certain provinces, the Chinese government successfully prevented a widespread outbreak with zero-tolerance pandemic control measures which effectively kept its casualties low, and propelled a much stronger economic recovery than its peers. China’s economy sustained a steady recovery with production and demand picking up in the first half of 2021. According to the data from the National Bureau of Statistics, the country’s GDP expanded 12.7% year-on-year to RMB53.2 trillion in the said period (first half of 2020: RMB45.66 trillion), with retail sales up 23% year-on-year to RMB21.19 trillion.

Volume of China’s tobacco production from January to April 2021 increased by 2.7% to 9,482.2 billion sticks as compared to the corresponding period of 2020, reflecting a positive upward trend in the industry. Meanwhile, market value of China’s e-cigarette industry surged from approximately RMB0.55 billion in 2013 to approximately RMB8.38 billion in 2020, representing a CAGR of 72.5%. However, the Chinese government has imposed tighter regulation towards tobacco and e-cigarettes, with more than twenty cities, namely Beijing, Shanghai and Shenzhen, introducing smoking control regulations, including bans on smoking in public places and government offices. The latest action plan announced in June 2021 further reinforced the supervision of tobacco and e-cigarette market in China, and standardised the production and operation of the e-cigarette industry.

With no sign of U.S. President Joe Biden easing economic restrictions, stricter tobacco and e-cigarette regulations in the country, intensified competition within the cigarette packaging industry and ever-rising material costs, the Group and other industry players were faced with increased pressure and challenges. In response to the tough operating environment, Jia Yao continued to draw on its expertise and reputation in maintaining close ties with its existing clients while seizing business opportunities during the Review Period.

Business Review

The Group is principally engaged in the design, printing and distribution of paper cigarette packages in China and to a lesser extent, social product paper packages in the PRC. Hubei Golden Three Gorges Printing Industry Co., Ltd* (湖北金三峡印務有限公司) (“Hubei Golden Three Gorges”), the Group’s primary subsidiary, has been established in China for over 20 years. The Group provides paper cigarette packaging services for key cigarette brands designated by the STMA. The Group has also diversified its business to social product paper packages such as packaging for medicines, wines, food and other consumer goods by leveraging its extensive experience and know-how in the cigarette packaging industry.

* For identification purpose only

Sales and Distribution

The Group places great emphasis on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities. As at 30 June 2021, the Group's clients included major provincial tobacco industrial companies and non-provincial tobacco companies under China Tobacco Industry Development Center* (中國煙草實業發展中心), which are located in Hubei, Sichuan, Yunnan, Shaanxi, Henan and other provinces in China. For those existing clients, the Group will strive, by taking advantage of its current status as an approved supplier, to expand to other cigarette brands or sub-brands manufactured by those clients currently not designed and/or printed by the Group into the Group's product portfolio.

To promote the Group's business strategy, the Group intends to set up sales offices in cities where these major customers are located if there appears to be significant business potential. Setting up sales offices near the Group's major customers will enable the Group to maintain good relationships with them and improve the Group's after-sales service to enhance customer satisfaction.

Product Development and Design

The Group will continue to invest in machinery and equipment to upgrade its production plants and ensure the productivity is up to international standards. The management strives to pursue cutting-edge technology in order to reduce production costs while maintaining or even improving product quality.

Technology Development and Quality Control

The Group attaches high importance on product design and technology development, striving to enhance its technological competitiveness by leveraging its design and development capabilities, and continuing to commit resources to the upgrading of its product research and development capabilities. During the period under review, the Group carried out regulated operation in strict compliance with the ISO9000 quality system standards. Equipped with state-of-the-art and comprehensive inspection equipment and devices, the Group has formulated a complete institutional system that covers every single process for its products in terms of the production flow, standards, record and appraisal for the quality management of imported materials, processes as well as inspection of finished products and product delivery, which in turn assures the continuous enhancement of product quality.

Cost Control

Due to the impact of the current rising prices of raw materials for paper packaging in the industry, in order to keep the fluctuations in the prices of packaging raw materials under effective control, the Group further improved the bidding process by selecting the top-ranking suppliers with strength in the industry during the period under review for carrying out strategic cooperation with the Group to hedge against price fluctuations together.

The Group prepares the budget at the beginning of each year based on the sales forecast, performs evaluation with reference to budget targets, determines standard costs of products based on the actual costs, and formulates applicable procedures and workflows for regulation purposes in order to implement cost control.

* For identification purpose only



Financial Review

Turnover

For the six months ended 30 June 2021, the turnover of the Group was approximately RMB321.0 million, representing an increase of approximately 23.7% over the corresponding period in 2020. Revenue from paper cigarette packages segment and social product paper packages segment accounted for approximately 99.1% and 0.9%, respectively. The Group's operation in China was gradually resuming back on track in first half of 2021 and revenue from Paper cigarette packages segment and social product paper packages segment was increased significantly to RMB318.1 million and RMB2.8 million, respectively. Due to the fierce competition on trading goods segment with decreasing profit margin, the management decided to concentrate all resources on paper cigarette packages segment with higher profit margin.

The following table sets forth the breakdown of the Group's sales for the six months ended 30 June 2021:

	For the six months ended 30 June		Change (%) (approximate)
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	
Paper cigarette packages segment	318,144	197,750	+60.9%
Social product paper packages segment	2,815	1,860	+51.3%
Trading goods segment	–	59,869	-100.0%

Gross Profit

The Group's gross profit increased by approximately 4.1% from approximately RMB32.4 million for the six months ended 30 June 2020 to approximately RMB33.7 million for the six months ended 30 June 2021. The Group's gross profit margin decreased by approximately 2.0% from approximately 12.5% to approximately 10.5% as compared with the corresponding period in 2020. The decrease in gross profit margin was primarily due to the decrease in average product price to certain major customers in Hunan and Shaanxi markets during the six months ended 30 June 2021.

Distribution Costs

For the six months ended 30 June 2021, distribution costs comprise: (i) delivery expenses for the transportation of the Group's products to customers; (ii) staff costs and benefits relating to the Group's sales and marketing personnel; (iii) expenses incurred in customer hospitality activities during the Group's normal course of business; (iv) travelling expenses of the staff incurred for the sales and distribution activities; (v) administrative expenses; and (vi) other selling and distribution related expenses. The Group's distribution costs increased by approximately 4.2% from approximately RMB11.7 million for the six months ended 30 June 2020 to approximately RMB12.2 million for the six months ended 30 June 2021. The increase of distribution costs was mainly due to the increase of transportation cost during the six months ended 30 June 2021.

Administrative Expenses

For the six months ended 30 June 2021, administrative expenses consist of (i) staff costs and benefits relating to the Group's administrative personnel; (ii) travelling expenses of administrative staff; (iii) depreciation expenses; (iv) entertainment expenses of administrative staff; (v) research and development expenses; (vi) office expenses; (vii) regulatory expenses; and (viii) other expenses incurred in relation to the Group's administrative operations. The expenses decreased by approximately 7.4% from approximately RMB26.3 million for the six months ended 30 June 2020 to approximately RMB24.4 million for the six months ended 30 June 2021. The decrease of administrative expenses was mainly due to the decrease of research and development expenses during the six months ended 30 June 2021.

Other Income

For the six months ended 30 June 2021, other income consists of non-recurring government grant. The Group's other income decreased by approximately RMB1.0 million to approximately RMB0.5 million for the six months ended 30 June 2021 due to the decrease of government grant during the six months ended 30 June 2021.

Other Losses

For the six months ended 30 June 2021, other losses mainly consists of losses on disposal of property, plant and equipment and raw materials. The Group's other losses decreased by approximately RMB0.5 million to approximately RMB3.2 million during the six months ended 30 June 2021.

Finance Costs, net

For the six months ended 30 June 2021, net finance costs primarily consist of interest income on bank deposits, interest payments on interest-bearing obligations and bank charges. The net finance costs increased by approximately RMB2.3 million from approximately RMB0.9 million for the six months ended 30 June 2020 to approximately RMB3.2 million for the six months ended 30 June 2021. The increase of net finance costs was mainly due to the increase of interest expenses on bank borrowings and bank charge on issuance of letter of credit during the six months ended 30 June 2021.

Income Tax Credit

The income tax credit was approximately RMB1.6 million for the six months ended 30 June 2021 as compared to the income tax credit of approximately RMB1.9 million for the six months ended 30 June 2020.

Loss Attributable to Owners of the Company

As a result of the foregoing, the Group's loss attributable to owners of the Company decreased by approximately 1.8% from approximately RMB6.6 million for the six months ended 30 June 2020 to approximately RMB6.5 million for the six months ended 30 June 2021.

Trade and Other Receivables

Trade and other receivables increased by approximately 28.0% from approximately RMB114.0 million as at 31 December 2020 to approximately RMB145.9 million as at 30 June 2021. The increase was mainly due to the increase of trade receivables from approximately RMB93.8 million as at 31 December 2020 to approximately RMB123.7 million as at 30 June 2021.



Trade and Other Payables

Trade and other payables increased by approximately 39.7% from approximately RMB255.7 million as at 31 December 2020 to approximately RMB357.1 million as at 30 June 2021. The increase was mainly due to the increase of trade payables from approximately RMB102.3 million as at 31 December 2020 to approximately RMB208.8 million as at 30 June 2021.

Liquidity And Financial Resources

The Group recorded net current assets of approximately RMB39.6 million as at 30 June 2021, compared with net current assets of approximately RMB56.9 million as at 31 December 2020. The Group maintained a healthy liquidity position during the six months ended 30 June 2021. The Group's operations were principally financed by internal resources and interest-bearing borrowings during the period under review.

As at 30 June 2021, the Group's cash and cash equivalents, which were held mainly in Renminbi and Hong Kong dollars, were approximately RMB57.8 million, compared with approximately RMB70.2 million as at 31 December 2020.

Borrowings and Gearing Ratio

The Group's interest-bearing borrowings were approximately RMB89.0 million as at 30 June 2021 (as at 31 December 2020: approximately RMB110.0 million). The Group's interest-bearing borrowings were mainly denominated in Renminbi as at 30 June 2021 and 31 December 2020. The Group's interest-bearing borrowings was repayable within one year. This ratio is calculated as net debt divided by total capital. The gearing ratios are as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total borrowings	89,000	110,000
Less: cash and cash equivalents	(57,782)	(70,182)
Net debt	31,218	39,818
Total equity	223,248	229,420
Total capital	254,466	269,238
Gearing ratio (%)	12%	15%

It is the policy of the Group to adopt a consistently prudent financial management strategy, hence sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Expenditure

During the six months ended 30 June 2021, the Group's total capital expenditure amounted to approximately RMB13.8 million (for the six months ended 30 June 2020: RMB2.4 million), which was mainly used in purchase of plant and machineries.

Treasury Policies

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

Charge of Assets

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Right-of-use assets	45,823	18,856
Property, plant and equipment	45,050	61,078
Trade receivables	87,673	46,302
Pledged bank deposits	93,560	94,000
	272,106	220,236

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There are no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2021.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (as at 31 December 2020: nil).



Foreign Exchange Risks

The Group's transactions were mainly conducted in Renminbi, and the major receivables and payables are denominated in Renminbi. Following the launch of international trading operation in 2019, the Group has a relatively small exposure in US dollar.

The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, trade and other receivables and trade and other payables maintained in Hong Kong Dollars and US dollars. The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the six months ended 30 June 2021. However, the Directors will continue to monitor foreign exchange risks and will take prudent measure to minimise the same. The Group will consider hedging significant foreign currencies when the need arises.

Human Resources And Remuneration

As at 30 June 2021, the Group employed 513 employees (as compared with 550 employees as at 31 December 2020) with total staff cost of approximately RMB28.3 million incurred for the six months ended 30 June 2021 (as compared with approximately RMB24.3 million for the same period of 2020). The Group's remuneration packages are generally structured with reference to market terms and individual performance. The Company adopted a share option scheme as incentive to its Directors and eligible employees. In relation to staff training, the Group also provides different types of programs for staff to improve their skills, develop their respective expertise and showcase their potentials.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

Future Outlook

The COVID-19 pandemic is unlikely to dwindle until 2022. Countries are urging citizen to take vaccination with a view to achieving herd immunity. China has administered at least 14.7 billion doses of COVID-19 vaccines as of mid-July, with about 52.5% of the country's population vaccinated. The Chinese government has set national targets of inoculating 64% of its people and an annual economic growth at above 6% in 2021. It is expected that the country's economic activities will perform better than before the pandemic.

With the world's economy still overshadowed by the COVID-19 pandemic, Jia Yao will keep close contact with local governments, stay vigilant to the pandemic situation, and take immediate measures when necessary. While the economy is getting back on the right track, the Group remains optimistic towards the economy of China and the development of the tobacco industry. Previous figures projected the total profit of the Chinese tobacco market to reach RMB117 billion and the cigarette label printing market to reach approximately RMB50 billion in 2023. With approximately 300 million tobacco users in China — nearly one-third of the world's total, the e-cigarette market shows a seemingly low market penetration. The retail sales of China's e-cigarette market is expected to reach USD11.3 billion in 2023, manifesting the rapid growth of the industry. Leveraging the rising demand, the Group expects a booming industry in the years to come. With output trade gradually resuming, the Group expects that volume of tobacco will witness a year-on-year growth in the second half of 2021. To prepare for the post-COVID-19 era, the Group prioritises measures to sustain its competitive strength, including continuously monitoring costs and cash level, as well as streamlining work processes to maintain its operational and cost efficiency. The Group will continue to carry out various cost control initiatives and expects that new machinery and equipment to effectively improve the production condition, logistics arrangements and inventory levels, and thereby further enhancing the production efficiency and the Group's performance.

Given the tighter control from the Chinese government to reducing cigarette consumption and regulating the e-cigarette industry, designs of cigarette package have become more important for cigarette brands to attract consumers and increase sales. The Group will continue to devote tremendous efforts in product development and focus its product mix on middle to high-end cigarette packages, turning them into a major source of revenue. The Group is dedicated to strengthening its market leadership and exploring business growth through strategic bidding approach, riding on its stronger competitive advantage in terms of new product design and production capabilities. It will continue to tap the Guangdong and Anhui markets in the foreseeable future to expand its market share.

Leveraging years of experience in the cigarette packaging industry, the Group will strive to seize greater market share and maintain a close and long-standing relationship with existing customers while doing its utmost to attract new clients by offering innovative products and quality excellence. The Group's business is on track for a gradual recovery, supported by the solid foundation of Jia Yao. The Group is confident that, with the concerted effort of its management and all staff members, Jia Yao will maintain its market leadership and create long-term value for its shareholders.



Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of the Associated Corporations

As at 30 June 2021, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or which, pursuant to section 352 of the SFO, have been entered in the register referred to therein, or have been, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company (the "Shares")

Name	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding (Note 3)
Mr. Yang Yoong An ("Mr. Yang")	Interest of a controlled corporation (Note 1)	209,362,000	69.79%
Mr. Feng Bin ("Mr. Feng")	Interest of a controlled corporation (Note 2)	15,638,000	5.21%

(ii) Long positions in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/Nature of interest	No. of ordinary shares held	Approximate percentage of shareholding
Mr. Yang	Spearhead Leader Limited ("Spearhead Leader")	Beneficial owner	1	100%

Notes:

- Mr. Yang beneficially owns the entire issued share capital of Spearhead Leader. Therefore, Mr. Yang is deemed, or taken to be, interested in 209,362,000 shares of the Company held by Spearhead Leader for the purpose of the SFO. Mr. Yang is the sole director of Spearhead Leader.
- Mr. Feng beneficially owns the entire issued share capital of Star Glide Limited. Therefore, Mr. Feng is deemed, or taken to be, interested in 15,638,000 Shares held by Star Glide Limited for the purpose of the SFO. Mr. Feng is the sole director of Star Glide Limited.
- Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2021.



CORPORATE GOVERNANCE AND OTHER INFORMATION

(CONTINUED)

Interests of Substantial Shareholders in Shares and Underlying Shares of the Company

So far as is known to the Directors, as at 30 June 2021, the following persons (not being a Director or chief executive of the Company) had interests or short positions in shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholders	Capacity/Nature of interest	No. of ordinary shares held/interested	Approximate percentage of shareholding (note 3)
Spearhead Leader	Beneficial owner	209,362,000	69.79%
Star Glide Limited	Beneficial owner	15,638,000	5.21%
Ms. Cai Yaohui ("Ms. Cai")	Interest of spouse (note 1)	209,362,000	69.79%
Ms. Zhao Yi ("Ms. Zhao")	Interest of spouse (note 2)	15,638,000	5.21%

Notes:

1. Ms. Cai is the spouse of Mr. Yang. Accordingly, Ms. Cai is deemed, or taken to be, interested in all Shares and underlying Shares in which Mr. Yang is interested in for the purpose of the SFO.
2. Ms. Zhao is the spouse of Mr. Feng. Accordingly Ms. Zhao is deemed, or taken to be, interested in all shares of the Company in which Mr. Feng is interested in for the purpose of the SFO.
3. Calculated on the basis of 300,000,000 Shares in issue as at 30 June 2021.



Save as disclosed above, as at 30 June 2021, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a shareholders' resolution passed on 6 June 2014. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or services providers of the Group and to promote the success of the business of the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30,000,000 shares, being 10% of the shares of the Company in issue on the listing date of the Company (ie. 27 June 2014), without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder, independent non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's issued share capital in aggregate or with an aggregate value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

The subscription price of share in respect of options granted under the Share Option Scheme shall be solely determined by the Board, but may not be less than the higher of (i) the Stock Exchange's closing price of the Company's shares on the date of the grant of the share options which must be a business day; (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share of the Company.

The Share Option Scheme will remain in force for a period of ten years commencing on the adoption date (i.e. 6 June 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

No options were granted, exercised, cancelled or lapsed and there were no outstanding options under the Share Option Scheme from the date of its adoption to the date of this report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix V to the prospectus of the Company dated 17 June 2014.

Competing Business and Conflicts of Interests

None of the Directors is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2021.



CORPORATE GOVERNANCE AND OTHER INFORMATION

(CONTINUED)

Corporate Governance

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the Corporate Governance Code contained in Appendix 14 the Listing Rules (the “Corporate Governance Code”) as its own code on corporate governance and had complied with the Corporate Governance Code for the six months ended 30 June 2021.

Model Code for Securities Transactions by Directors of Listed Issuers

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

Audit Committee and Review of Interim Results

The Company has established an audit committee (the “Audit Committee”) with terms of reference aligned with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the primary duties of reviewing and providing supervision on the financial reporting process, internal controls and risk management systems of the Company. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Ping (as Chairman), Mr. Zeng Shiquan and Mr. Gong Jinjun.

The interim financial results of the Group for the six months ended 30 June 2021 have not been reviewed by the Company’s auditor, but have been reviewed by the Company’s audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The Audit Committee has also reviewed this report.

Changes of Information of Directors

There is no change in Directors’ information that is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2020 of the Company and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six Months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000
Revenue	5	320,959	259,479
Cost of sales	9	(287,234)	(227,097)
Gross profit		33,725	32,382
Distribution costs	9	(12,226)	(11,733)
Administrative expenses	9	(24,388)	(26,324)
Net impairment losses on financial assets		–	(600)
Other income	6	508	1,472
Other losses	7	(3,245)	(3,738)
Operating loss		(5,626)	(8,541)
Finance income	8	1,011	835
Finance costs	8	(4,220)	(1,710)
Finance costs, net	8	(3,209)	(875)
Loss before income tax		(8,835)	(9,416)
Income tax credit	10	1,632	1,889
Loss for the period		(7,203)	(7,527)
Loss attributable to:			
– Owners of the Company		(6,499)	(6,621)
– Non-controlling interests		(704)	(906)
Loss for the period		(7,203)	(7,527)
Other comprehensive income			
Currency translation differences		1,031	14
Other comprehensive income, net of tax		1,031	14
Total comprehensive loss for the period		(6,172)	(7,513)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(5,468)	(6,607)
– Non-controlling interests		(704)	(906)
Total comprehensive loss for the period		(6,172)	(7,513)
Loss per share from operations attributable to owners of the Company			
– Loss per share	11	(0.022)	(0.022)
– Diluted loss per share	11	(0.022)	(0.022)

The notes on pages 22 to 36 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
ASSETS			
Non-current assets			
Right-of-use Assets	13	47,348	48,126
Investment properties	13	8,667	9,097
Property, plant and equipment	13	109,292	110,384
Prepayment for property, plant and equipment	14	13,500	231
Deferred income tax assets		4,812	4,813
		183,619	172,651
Current assets			
Inventories	16	189,006	147,077
Trade and other receivables	15	145,893	113,973
Restricted cash	17	93,560	94,000
Cash and cash equivalents	17	57,782	70,182
		486,241	425,232
Total assets		669,860	597,883
EQUITY			
Equity attributable to the owners of the Company			
Share capital	18	2,382	2,382
Other reserves		170,453	169,422
Retained profits		7,842	14,341
		180,677	186,145
Non-controlling interests		42,571	43,275
Total equity		223,248	229,420

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2021



	<i>Note</i>	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities, non-current		-	114
Current liabilities			
Trade and other payables	20	357,142	255,706
Income tax payable		-	1,935
Borrowings	19	89,000	110,000
Lease liabilities, current		470	708
		446,612	368,349
Total liabilities		446,612	368,463
Total equity and liabilities		669,860	597,883

The notes on pages 22 to 36 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Unaudited					
	Attributable to the owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Six months ended 30 June 2021						
Balance at 1 January 2021	2,382	169,422	14,341	186,145	43,275	229,420
Loss for the period	-	-	(6,499)	(6,499)	(704)	(7,203)
Other comprehensive loss	-	1,031	-	1,031	-	1,031
Balance at 30 June 2021	2,382	170,453	7,842	180,677	42,571	223,248
Six months ended 30 June 2020						
Balance at 1 January 2020	2,382	169,522	40,546	212,450	47,320	259,770
Loss for the period	-	-	(6,621)	(6,621)	(906)	(7,527)
Other comprehensive loss	-	14	-	14	-	14
Balance at 30 June 2020	2,382	169,536	33,925	205,843	46,414	252,257

The notes on pages 22 to 36 are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six Months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from/(used in) from operations		24,033	(108,504)
Interest received		1,011	836
Interest paid		(2,979)	(1,630)
Income tax paid		(40)	(668)
Net cash generated from/(used in) operating activities		22,025	(109,966)
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,823)	(2,388)
Proceeds from disposal of property, plant and equipment		286	1
Net cash used in investing activities		(13,537)	(2,387)
Cash flows from financing activities			
Proceeds from borrowings		89,000	120,000
Repayments of borrowings		(110,000)	(55,000)
Repayments of lease liabilities		(337)	(345)
Changes in restricted cash pledged for notes payable		(440)	34,192
Net cash (used in)/generated from financing activities		(21,777)	98,847
Net decrease in cash and cash equivalents			
Effect of foreign exchange rate changes		889	57
Cash and cash equivalents at beginning of the period		70,182	75,899
Cash and cash equivalents at end of the period	17	57,782	62,450

The notes on pages 22 to 36 are an integral part of these condensed consolidated interim financial information.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1 General information

Jia Yao Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 5 August 2013.

The Company and its subsidiaries (together, the “Group”) are engaged in the design, printing and sales of paper cigarette packages and social product paper packages in Hubei Province, the People’s Republic of China (the “PRC”) and trading goods including mainboard of cell phones.

The Company’s registered office is located at Second Floor, Century Yard, Cricket Square, P.O Box 902, Grand Cayman, KY1-1103, Cayman Islands, and the address of the principal place of business is No. 6 Qingdao Road, Dongshan Economic Developing District, Yichang, Hubei Province, the PRC.

The Company’s ordinary shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), rounded to the nearest thousand, unless otherwise stated. This condensed consolidated interim financial information set out on pages 17 to 36 has been approved for issue by the Company’s board of directors (the “Board”) on 27 August 2021.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation and Significant accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’.

This condensed consolidated interim financial information have been prepared on an accrual basis and under the historical cost convention except for certain financial instrument that have been measured at fair value.

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, and any public announcements made by the Group during the interim reporting period.

Except as described below, the Group’s accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those policies applied in preparing the 2020 annual consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

2 Basis of preparation and Significant accounting policies *(Continued)*

2.1 Standards, amendments and interpretations effective in 2021

On 1 January 2021, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

HRFRS 16 (Amendment)	Covid-19-related Rent Concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendment)	Interest Rate Benchmark Reform – Phase 2

The adoption of new and amended standards and interpretations did not have any material impact on the condensed consolidated interim financial information of the Group.

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021

The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020	Improvements to HKFRSs	1 January 2022
Accounting Guideline 5 (Amendment)	Revised Accounting Guideline 5 Merger	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendment)	Narrow-scope amendments	1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong interpretation 5 (2020)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendment)	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

3 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2020.

4 Financial risk management and financial instruments

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

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

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

4.2 Liquidity risk

Compared to 2020 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5 Segment information

(a) Description of segments and principal activities

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operation decision maker, for the purposes of resource allocation and performance assessment, the Group's reportable and operating segments are as follows:

Paper cigarette packages	—	design, printing and sale of paper cigarette packages
Social product paper packages	—	design, printing and sale of social product paper packages (including packages for alcohol, medicines and food)
Trading goods	—	trade sales of goods including mainboards of cell phones

(b) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the condensed consolidated statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

5 Segment information *(Continued)*

(b) Segment revenue *(Continued)*

The segment results for the six months ended 30 June 2021:

	Six Months ended 30 June 2021			
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Trading goods Unaudited RMB'000	Total Unaudited RMB'000
Revenue	318,144	2,815	–	320,959
Gross profit	33,529	196	–	33,725
Distribution costs	(11,977)	(249)	–	(12,226)
Segment results	21,552	(53)	–	21,499
Administrative expenses				(24,388)
Net impairment losses on financial assets				–
Other income				508
Other losses				(3,245)
Finance costs, net				(3,209)
Loss before income tax				(8,835)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

5 Segment information *(Continued)*

(b) Segment revenue *(Continued)*

The segment results for the six months ended 30 June 2020:

	Six Months ended 30 June 2020			
	Paper cigarette packages Unaudited RMB'000	Social product paper packages Unaudited RMB'000	Trading goods Unaudited RMB'000	Total Unaudited RMB'000
Revenue	197,750	1,860	59,869	259,479
Gross profit	30,808	17	1,557	32,382
Distribution costs	(11,369)	(364)	-	(11,733)
Segment results	19,439	(347)	1,557	20,649
Administrative expenses				(26,324)
Net impairment losses on financial assets				(600)
Other income				1,472
Other losses				(3,738)
Finance costs, net				(875)
Loss before income tax				(9,416)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

5 Segment information *(Continued)*

(c) Segment assets by location

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown as follows:

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Mainland China	178,807	167,838
Hong Kong	-	-
	178,807	167,838

6 Other income

	Six Months ended 30 June 2021 Unaudited RMB'000	2020 Unaudited RMB'000
Government grants	508	1,472

7 Other losses

	Six Months ended 30 June 2021 Unaudited RMB'000	2020 Unaudited RMB'000
Loss on disposal of property, plant and equipment	670	173
Loss on disposal of raw materials	2,571	3,131
Others	4	434
	3,245	3,738

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

8 Finance costs (net)

	Six Months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest income on bank deposits	(1,011)	(835)
Interest on bank borrowings	2,979	1,630
Other bank charges	1,241	80
	3,209	875

9 Expenses by nature

	Six Months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Operating loss for the period has been arrived at after charging:		
Staff costs:		
Wages and salaries (excluding directors' emoluments)	24,199	21,849
Directors' emoluments	725	789
Welfare, medical and other expenses	3,395	1,684
	28,319	24,322
Cost of inventories	265,172	213,090
Depreciation of property, plant and equipment	5,899	6,076
Transportation cost	7,381	6,409
Energy and water expense	6,795	4,324
Social entertainment expense	4,965	3,778
Real estate tax, stamp duties and other taxes	994	964
Professional service expense	289	543
Office expense	466	1,326
Operating lease rentals in respect of rented premises	1,203	835
Auditor's remuneration	500	665
Amortisation of right-of-use assets	778	887
Other operating expenses	1,087	1,935
	295,529	240,832
Total expense and losses	323,848	265,154

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

10 Income tax credit

	Six Months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Current income tax		
— PRC corporate income tax (i)	—	—
Deferred income tax		
— Deferred tax assets	1,632	1,889
Income tax credit	1,632	1,889

(i) PRC corporate income tax ("CIT")

The Company is not subject to any taxation in the Cayman Islands.

The subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2020: 16.5%). Hong Kong profits tax has not been provided as these subsidiaries did not have estimated assessable profit for the period (2020: none).

Hubei Golden Three Gorges Printing Industry Co., Ltd.* (湖北金三峡印務有限公司) ("Hubei Golden Three Gorges") has been qualified as a High New Tech Enterprises according to the Corporate Income Tax Law of the PRC and subject to a reduced corporate income tax ("CIT") rate of 15% in 2021 (2020: 15%).

The remaining subsidiaries established in the PRC are subject to the PRC CIT rate of 25% (2020: 25%).

(ii) PRC withholding income tax

Under relevant tax laws and regulations, dividends distributed from the Company's subsidiaries established in the PRC (the "PRC subsidiaries") to non-PRC tax resident Group entities shall be subject to the withholding income tax at 10%. The Group plans to use the unremitted earnings of the PRC subsidiaries up to 30 June 2021 and 2020 for reinvestment. No PRC withholding income tax was provided for unremitted earnings of the PRC subsidiaries as at 30 June 2021 and 2020.

11 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six Months ended 30 June	
	2021 Unaudited	2020 Unaudited
Loss attributable to the owners of the Company (RMB'000)	(6,499)	(6,621)
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic loss per share (RMB)	(0.022)	(0.022)

* for identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

11 Loss per share *(Continued)*

(b) Diluted loss per share

Diluted loss per share for the six months end 30 June 2021 is the same as the basic loss per share.

12 Dividend

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: none).

13 Property, plant and equipment, right-of-use assets and investment properties

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000
Six months ended 30 June 2021 (unaudited)			
Net book value	110,384	48,126	9,097
Opening net book amount as at 1 January 2021			
Additions	6,982	-	-
Disposals	(2,175)	-	-
Depreciation and amortisation	(5,899)	(778)	(430)
Closing net book amount as at 30 June 2021	109,292	47,348	8,667
Six months ended 30 June 2020 (unaudited)			
Net book value			
Opening net book amount as at 1 January 2020	114,988	49,904	9,959
Additions	1,659	-	-
Disposals	(179)	-	-
Depreciation and amortisation	(6,076)	(887)	(424)
Closing net book amount as at 30 June 2020	110,392	49,017	9,535

As at 30 June 2021, right-of-use assets and plant and equipment with net book value of RMB90,873,000 (31 December 2020: RMB79,934,000 (Note 21) have been pledged as securities for the Group's bank borrowings of RMB89,000,000 (31 December 2020: RMB110,000,000) (Note 19).

14 Prepayment for property, plant and equipment

Prepayment for property, plant and equipment represents the prepayments for production equipment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

15 Trade and other receivables

(a) Trade and other receivables

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Trade receivables	124,470	94,576
Less: allowance for doubtful debts	(789)	(796)
	123,681	93,780
Notes receivables	5,931	8,199
Deposits paid	5,723	9,719
Advance to employees	7,862	1,971
Payments in advance	980	174
Others	1,716	130
	22,212	20,193
Total of trade and other receivables	145,893	113,973

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
0 to 90 days	104,563	90,833
91 to 180 days	18,663	2,299
181 to 360 days	124	744
Over 360 days	1,120	700
	124,470	94,576

(b) Trade receivables pledged

As at 30 June 2021, the trade receivables amounting to RMB87,673,000 (31 December 2020: RMB46,302,000) (Note 21) have been pledged as securities for the bank borrowings of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

16 Inventories

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Raw materials and packaging materials	75,234	56,171
Finished goods	97,449	76,474
Work in progress	16,323	14,432
	189,006	147,077

17 Cash and cash equivalents and restricted cash

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Cash at bank and on hand	151,342	164,182
Less: restricted cash	(93,560)	(94,000)
Cash and cash equivalents	57,782	70,182

As at 30 June 2021, Hubei Golden Three Gorges, a subsidiary of the Group, pledged deposits of RMB93,560,000 (31 December 2020: RMB94,000,000) at bank as collateral for issuance of notes payables (Note 21).

18 Share capital

Ordinary shares, issued and fully paid:

	Number of shares	Share capital	
		HKD'000	RMB'000
Authorised:			
Ordinary shares of HK\$0.01 each			
As at 30 June 2021 and 31 December 2020	2,000,000,000	20,000	15,880
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
As at 30 June 2021 and 31 December 2020	300,000,000	3,000	2,382

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

19 Borrowings

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Short-term bank borrowings secured	89,000	11,000

As at 30 June 2021, short-term bank borrowings of RMB89,000,000 (as at 31 December 2020: RMB110,000,000) of the Group were secured by pledging trade receivables (Note 15), right-of-use assets and property, plant and equipment (Note 13) of the Group.

The effective interest rates on the Group's borrowings are as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Fixed-rate borrowings	4.94%	5.14%

20 Trade and other payables

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Trade payables – due to third parties	208,823	102,264
Notes payables	136,000	135,000
Salary payables	4,436	7,696
Tax payables	78	2,279
Others	7,805	8,467
Total trade and other payables	357,142	255,706

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

20 Trade and other payables (Continued)

The ageing analysis of trade payables based on invoice date is as follows:

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Up to 6 months	207,141	100,402
6 months to 1 year	1,172	510
1 year to 2 years	510	1,352
	208,823	102,264

21 Pledge of assets and corporate guarantees

The Group's assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group (including note payables and borrowings of the Group):

	<i>Note</i>	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Property, plant and equipment	13	45,050	61,078
Pledged bank deposits	17	93,560	94,000
Trade receivables	15	87,673	46,302
Right-of-use assets	13	45,823	18,856
		272,106	220,236

22 Capital Commitment

	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
Property, plant and equipment	9,622	168

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

23 Related-party transactions

As at 30 June 2021, the Company's immediate holding company is Spearhead Leader Limited, which held 69.79% shares of the Company in issue and is wholly owned by Mr. Yang Yoong An.

The non-controlling interests of the Group is Hubei China Tobacco Industry Co, Ltd. ("Hubei China Tobacco"), which holds 17.14% share of Hubei Golden Three Gorges, a subsidiary of the Company. Hubei China Tobacco is a subsidiary of China National Tobacco Corporation.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties.

Name of related party	Relationship
Spearhead Leader Limited	The Company's immediate holding company

(a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

(i) Key management compensation

	Six Months ended 30 June	
	2021 Unaudited RMB'000	2020 Unaudited RMB'000
Key management compensation	725	830

(ii) Balance due to the immediate holding company

	Six Months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Spearhead Leader Limited	1,081	1,370

Balance with related parties was unsecured, interest free and repayable in accordance with agreed terms with related parties.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

24 Retirement Benefits Schemes

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the Employees' salaries and are charged to consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the Employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 30 June 2021 and 2020.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the six months ended 30 June 2021, the total amounts of RMB1,660,000 (for the six months ended 30 June 2020: RMB314,000; for the year ended 31 December 2020: RMB314,000) contributed by the Group to the schemes and cost charged to the condensed consolidated statement of comprehensive income represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

For the six months ended 30 June 2021, no Covid-19 related government grants/assistance have been offset against retirement benefits scheme contribution (for the six months ended 30 June 2020: RMB1,576,000; for the year ended 31 December 2020: RMB3,152,000).

25 Subsequent events

As from 30 June 2021 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.