

WALNUT

**五谷磨房**

—— 自然之养 ——

SESAME

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

**2021**

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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  
Baidu International Building  
No. 8 Haitian 1st Road  
Binhai Community, Yuehei Street  
Nanshan District  
Shenzhen, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2703, 27th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

## REGISTERED OFFICE

Maples Corporate Services Limited  
PO Box 309, Uglund 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

DLA Piper 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

## BUSINESS REVIEW

In the first half of 2021, against the backdrop of the global resurgence of the COVID-19 pandemic, although there were repeated outbreaks in some regions in China, the overall situation was stable. With the increase in the COVID-19 vaccination rate, China's pandemic prevention and control results were consolidated, and the national economy maintained a stable recovery. China's national economy has started well this year, with GDP increasing by 12.7% year on year in the first half of 2021, and the consumer market recovered well in the first half of the year, with demand expanding and increasing market vitality. The food and beverage sector has also continued to be active, especially in that with the further increase in national health awareness, "healthy" industry has become one of the most popular trends in the entire food and beverage industry. In view of this, we continued to upgrade our products and channels in order to provide healthy and convenient cereal nutrition food to a wider range of consumers. Benefiting from this, the Group's revenue grew significantly and profitability continued to recover in the first half of 2021. For the six months ended 30 June 2021, the Group recorded a revenue of RMB753.9 million (representing an increase of 23.5% as compared to the corresponding period of last year) and a profit attributable to owners of the parent of RMB38.0 million (corresponding period of 2020: loss of RMB52.3 million).

During the Period, the Group has adhered to long-term development, carried out relevant work flexibly according to the established development strategy, focused on accelerating the development of online business, vigorously cultivated new categories and new products which are natural, healthy and convenient, actively explored new sales channels and opportunities, and continued to deepen the refined operation of customers.

## ONLINE CHANNELS

The Group's online channels mainly include e-commerce platforms and self-operated WeChat member stores. In the first half of 2021, revenue from online channels amounted to RMB275.2 million, representing an increase of 38.2% as compared to the corresponding period of last year.

The expansion and cultivation of online channels represented by e-commerce platforms has always been one of the most important sales strategies of the Group. As the first brand in the natural grain powder category on the Tmall platform, we have maintained a long-term good and healthy relationship with the platform. At the same time, we used the brand as the fulcrum to leverage abundant platform resources to promote our products more efficiently. In the first half of this year, we continued to maintain our position as "Tmall Natural Grain Powder TOP1 Brand" for six consecutive years and achieved excellent performance in key marketing festivals such as "3.8 Goddess Festival" and "618". Our best-selling e-commerce product "Walnut Sesame Black Bean Powder (核桃芝麻黑豆粉)" recorded a year-on-year increase of 100%, maintaining its position as the No. 1 natural grain powder product in the entire network.

# Management Discussion and Analysis

With remarkable results achieved on the traditional e-commerce platform, we also acutely captured the opportunities arising from the rapid development of emerging social e-commerce platforms, including Douyin Store. Through various forms of video/graphics with rich contents, as well as live-stream sales, we utilised the extensive appeal of many well-known artists, key opinion leaders (KOLs) and key opinion consumers (KOCs) to trigger extensive consumer discussion on the “Wugu Mofang (五谷磨房)” brand and products, so as to continuously consolidate and deepen the health attributes of our “Grain Nutrition Expert Brand” and enhance the brand’s favourability and recognition. As a result, Wugu Mofang Douyin Store contributed sales revenue of approximately RMB30 million in the first half of the year.

Leveraging the extensive use and penetration of WeChat platform in consumers’ daily life and consumption, we are skilled in using this platform to achieve efficient consumer management. Benefiting from the Company’s mature experience in consumer operation and management and extensive consumer information database, we strive to bring more brand added value to consumers by using various platform tools to provide consumers with diverse and theme-rich brands and healthy life-related information.

## OFFLINE CHANNELS

The Group’s current offline channels mainly include concessionary counters in supermarkets. In the first half of 2021, revenue from offline channels amounted to RMB478.7 million, representing an increase of 16.4% as compared to the corresponding period of last year.

Since its establishment, the Group has been selling through on-site milling of cereal nutrition powder by opening counters in a chain of large supermarkets. Over the years, offline counters have become one of the important sales channels of the Group while helping the brand to form strong recognition among consumers, thereby becoming an important window of face-to-face communication between the Group and consumers.

After experiencing the impact of the sudden outbreak of the COVID-19 pandemic in early 2020, we continued to adjust the operating strategy of the counter business in a timely manner and achieved significant results in phases. As of 30 June 2021, the Group had 2,706 concessionary counters nationwide and recorded sales revenue of RMB478.7 million, representing a year-on-year increase of 16.4%.

However, since the beginning of this year, despite the steady recovery of China’s economy, we have also observed that the COVID-19 pandemic has left far-reaching impact on the offline business environment, especially the significant trend of declining consumer traffic in hypermarkets. In view of the recent resurgence of the COVID-19 pandemic in certain regions in Mainland China, we believe that the impact of the pandemic on the offline business environment is uncertain, but the Group will continue to operate offline counters from a long-term perspective.

# Management Discussion and Analysis

In the first half of 2021, we newly opened 70 concessionary counters. However, in view of the continuous impact of the COVID-19 pandemic, we proactively closed 535 concessionary counters to control costs and improve operational efficiency.

The table below sets forth the total number of the concessionary counters, newly opened counters and closed counters for the Period:

|                                     | <b>Six months<br/>ended<br/>30 June 2021</b> | Twelve months<br>ended<br>31 December<br>2020 |
|-------------------------------------|--|---|
| At the beginning of the Period      | <b>3,171</b>                                 | 3,399   |
| Add: newly opened counters          | <b>70</b>                                    | 341   |
| Less: Closed counters               | <b>(535)</b>                                 | (569)   |
| <b>Total concessionary counters</b> | <b>2,706</b>                                 | 3,171   |

In addition, during the Period, the Group also actively explored opportunities in other channel businesses, including the distribution model. At the initial stage, the Group will focus on the streamlining of channel products and the building of the team which have been preliminarily completed currently. The Group will steadily promote the development of these channel businesses in accordance with the established development strategies, with a view to achieving broader distribution channels to bring healthy cereal nutrition food to more consumers.

## PRODUCTS

In the first half of 2021, the Group continued to upgrade and innovate core categories of natural grain powder and other long-tail products based on the product concepts of “homology of medicine and food” and “natural, healthy and without additives”, and launched more products in line with the market trend.

In the first half of this year, we took the lead in launching the black nutrition expert brand “Black Nutrition (黑之養)” on the e-commerce channels, which quickly attracted customers with black food’s wide recognition, consensus and popularity in the traditional Chinese food culture, coupled with distinctive packaging and publicity. In the future, we will continue to focus on building the “Black Nutrition (黑之養)” brand, and introduce the brand to other channels in addition to e-commerce channels, so as to provide consumers with black grain nutrition food including “Walnut Sesame Black Bean Powder (核桃芝麻黑豆粉)”, “Black Sesame Pills (黑芝麻丸)” and “Black Soy Pulp Powder (黑豆漿粉)”.



# Management Discussion and Analysis

## BRAND BUILDING

In the first half of 2021, we strengthened our brand building around the brand images of “Natural and Healthy” and “Young and Fashionable”.

The brand communication of “Wugu Mofang (五谷磨房)” continued to penetrate into new generation groups, and cultivate new users with the goal of making the classic brand “Wugu Mofang (五谷磨房)” fashionable. In May 2021, we engaged Ms. Guan Xiaotong, a well-known actress, as the brand ambassador of “Wugu Mofang (五谷磨房)” to arouse a new brand image and convey the brand’s affinity, reliability and vitality.

In addition, we actively delivered the health, convenience and fashion attributes of our products to consumers through social media platforms such as Douyin (抖音) and Xiaohongshu (小紅書). Through content marketing such as theme promotion, celebrity, KOL and KOC interaction, the popularity and discussion of related products have significantly increased on the Internet.

## OUTLOOK

Looking ahead to 2021, despite the ongoing recovery of macroeconomic indicators, the effects of the COVID-19 pandemic will remain. In particular, the offline department store operation is disrupted and consumer traffic has not yet returned to the level before the outbreak of the COVID-19 pandemic. In addition, the COVID-19 pandemic has fuelled the reformation of the entire consumption industry, including the food and beverage sector as well as the retail sector. In terms of channels, retailers have raced to increase their investments in online businesses and O2O businesses, so as to cope with the changing consumption habits of consumers. In terms of products, there are increasingly more sub-categories being penetrated, thus a large number of potential products will be launched. Against such background, the Group has contemplated its own current advantages, the existing challenges and the breakthroughs it should seek for, and formulated its medium- and long-term development strategy of “consolidate main business, expand channels and diversity products” to resolutely continue to consolidate the cereal nutrition powder as our core advantageous category and target offline concessionary counters as our fundamental development focus while acutely seizing and actively expanding new channels and opportunities of new categories, so as to provide continuous momentum for the long-term development of the Company.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group sells its products through an extensive network of offline concessionary counters as well as online channels, including major e-commerce platforms and self-operated WeChat member stores. 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 indicated:

|                         | For the six months ended 30 June |              |         |       |
|-------------------------|----------------------------------|--------------|---------|-------|
|                         | 2021                             |              | 2020    |       |
|                         | RMB'000                          | %            | RMB'000 | %     |
| <b>Offline channels</b> | <b>478,728</b>                   | <b>63.5</b>  | 411,275 | 67.4  |
| <b>Online channels</b>  | <b>275,171</b>                   | <b>36.5</b>  | 199,055 | 32.6  |
| WeChat member stores    | <b>35,991</b>                    | <b>4.8</b>   | 32,197  | 5.3   |
| E-commerce platforms    | <b>239,180</b>                   | <b>31.7</b>  | 166,858 | 27.3  |
| <b>Total</b>            | <b>753,899</b>                   | <b>100.0</b> | 610,330 | 100.0 |

For the six months ended 30 June 2021, absolute amounts of revenue generated from sales through its offline and online channels increased as compared to the corresponding period in 2020 and total revenue increased from RMB610,330 thousand for the six months ended 30 June 2020 to RMB753,899 thousand for the six months ended 30 June 2021. As a percentage to the total revenue, revenues generated from sales through the offline channels decreased to 63.5% for the Period from 67.4% for the corresponding period in 2020, while revenue generated from sales through online channels increased from 32.6% for the six months ended 30 June 2020 to 36.5% for the Period. The increase in revenue was primarily due to (i) the recovery of growth in revenue generated from offline channels was due to the effective control over the COVID-19 pandemic by the Chinese government; (ii) the successful promotion of our star product "Walnut Sesame Black Bean Powder (核桃芝麻黑豆粉)", the establishment and operation of other social e-commerce platforms including Douyin Stores in addition to continuous sound operation of existing channels by our e-commerce team, allowing the Group to reach a wider customer base and successfully spurring a significant increase in revenue from online channels.

# Management Discussion and Analysis

## Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 11.2% from RMB197 million for the six months ended 30 June 2020 to RMB219 million for the Period, which was mainly attributable to (i) the increase in the cost of raw materials and packaging caused by the increase in sales; and (ii) the decrease in the changes in inventories of finished goods and work-in-progress.

Gross profit of the Group increased from approximately RMB413.4 million for the six months ended 30 June 2020 to approximately RMB534.9 million for the Period. The gross profit margin increased from 67.7% for the six months ended 30 June 2020 to 71% for the Period, primarily due to (i) the decrease in raw material prices; and (ii) the tightening of our discount policy.

## Other Income and Gains

Other income and gains of the Group increased by RMB2.7 million from approximately RMB3.8 million for the six months ended 30 June 2020 to approximately RMB6.5 million for the Period, which was mainly attributable to the increase in the fair value gains from financial assets at fair value through profit or loss.

## 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, transportation expenses and others. The selling and distribution expenses remained stable and decreased from approximately RMB457.4 million for the six months ended 30 June 2020 to approximately RMB455.1 million for the Period, which was mainly attributable to the combined effects of the following factors: on the one hand, (i) labour service expenses of salesmen of offline channels decreased due to the decrease in the number of concessionary counters and salesman staff; (ii) less promotion activities carried out by supermarket during the Period, resulting in the decrease in sales promotion expenses during the Period; (iii) salary and employee benefits decreased due to the decrease in the number of senior management staff as a result of optimization of employee structure; (iv) transportation expenses decreased due to the change of carriers as a result of our optimization of logistics, and the absence of increase in storage fees in Hubei province due to the outbreak of the COVID-19 pandemic; (v) the depreciation expenses decreased during the Period, as the Group adjusted the number of concessionary counters, and it resulted in the decrease of the total number of concessionary counters and the carrying amount of the fixed asset attributable to concessionary counters; (vi) the share-based payment expenses decreased, as some of the employee stock options have reached the vesting period during the six months ended 30 June 2020; on the other hand, (i) commission expenses increased due to the increase in sales revenue; (ii) advertising expenses increased due to the increase in e-commerce platform promotion activities; and (iii) distribution costs related to supermarkets increased due to the increase in offline conference fees.

# 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, losses arising from the suspension of production, and share based payment expenses and others. The administrative expenses remained basically stable and decreased from approximately RMB39.4 million for the six months ended 30 June 2020 to approximately RMB38.4 million for the Period. The decrease was mainly due to the combined effects of the following factors: on the one hand, (i) share-based payment expenses decreased because employee stock options have reached the vesting period during the period ended 30 June 2020; (ii) intermediary service fees, staff and worker training expenses decreased due to our enhanced cost control measures; (iii) losses on work stoppages decreased due to the decrease in the number of stopped factories as compared with the corresponding period last year when the COVID-19 pandemic broke out; on the other hand, (i) salary and employee benefit expenses increased due to the change in classification of part of the sales staff's remuneration from salary and employee benefit expenses in selling and distribution expenses to salary and employee benefit expenses in administrative expenses due to the adjustment of the Group's organizational structure; and (ii) other taxes and fees increased due to the increase in value-added tax as a result of increased revenue.

## Reversal of Impairment of/(Impairment of) Financial Assets

The Group recorded a reversal of the impairment of financial assets of approximately RMB3.8 million for the Period, while the Group recorded an impairment of financial assets of approximately RMB1.3 million for the six months ended 30 June 2020, it was due to the decrease in the overdue trade and bills receivables balance.

## Other Expenses

The other expenses of the Group increased by approximately RMB1.4 million from approximately RMB1.9 million for the six months ended 30 June 2020 to approximately RMB3.3 million for the Period, which was mainly attributable to losses on disposal of non-current assets of approximately RMB3.1 million due to the closure of some poorly operated stores.

## Finance Costs

The Group's finance costs remained stable at approximately RMB0.4 million for the six months ended 30 June 2021, which was primarily due to the decrease in interest expenses on lease liabilities.

## Profit/(Loss) Before Tax

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB48 million for the six months ended 30 June 2021, as compared to a loss before tax of approximately RMB83.2 million for the six months ended 30 June 2020.

# Management Discussion and Analysis

## Income Tax (Expense)/Credit

The Group's income tax credit was RMB30.9 million for the six month ended 30 June 2020, while the income tax expense was RMB9.9 million for the Period, which was mainly attributable to the increase in current income tax expense as a result of the increase in the assessable profit 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 the above-mentioned recognition of the deferred tax assets and income derived from preliminary agricultural proceed products which was not subject to income tax in China.

## Profit/(Loss) for the Period

The Group recorded a profit of approximately RMB38 million for the Period, as compared to a loss of the Group of approximately RMB52.3 million for the six months ended 30 June 2020.

## FINANCIAL RESOURCES REVIEW

### Working Capital and Financial Resources

|  | <b>As at<br/>30 June<br/>2021<br/>(RMB million)</b> | As at<br>31 December<br>2020<br>(RMB million) |
|--|---|---|
| Trade and bills receivables                    | <b>135.7</b>  | 161.9   |
| Trade payables                                 | <b>46.3</b>   | 52.6  |
| Inventories                                    | <b>59.2</b>   | 92  |
| Trade receivables turnover days <sup>(1)</sup> | <b>36</b>   | 49  |
| Trade payables turnover days <sup>(2)</sup>    | <b>41</b>   | 52  |
| Inventory turnover days <sup>(3)</sup>         | <b>62</b>   | 87  |

#### 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.

# Management Discussion and Analysis

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

The decrease in trade payables and the decrease in trade payables turnover days were mainly attributable 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 were primarily attributable to the Group's implementation of rigid inventory control measures during the Period.

## Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to RMB659 million, representing an increase of approximately 16.8% from RMB564.2 million as at 31 December 2020.

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

As at 30 June 2021, the Group had net current asset of RMB704.1 million, as compared with net current asset of RMB665.5 million as at 31 December 2020.

## 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 2021, the Group had no contingent liabilities.

## Pledge of Assets

As at 30 June 2021, the Group did not pledge any assets.

# Management Discussion and Analysis

## Gearing Ratio

As at 30 June 2021, the Group's gearing ratio (calculated by dividing total debt by total assets as of the end of each period) was approximately 1.2% (31 December 2020: 1.4%).

## Employees and Remuneration Policy

As at 30 June 2021, the Group had 696 employees, as compared with 739 employees as at 31 December 2020. For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of RMB82.9 million, representing a decrease of approximately 6.8% from RMB88.9 million during the corresponding period in 2020. 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 Group has also adopted share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. As at 31 December 2020, 63,875,219 share options were outstanding. During the Period, 182,717 share options had cancelled and no share options had been exercised. As at 30 June 2021, 63,692,502 share options were outstanding.



# 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 2021, 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:

| <b>Name of Director</b>    | <b>Nature of Interest</b>        | <b>Number of Shares</b> | <b>Approximate percentage of Shareholding</b> |
|----------------------------|----------------------------------|-------------------------|---|
| Mr. ZHANG Zejun (Note 2)   | Founder of a discretionary trust | 930,000,000 (L)         | 42.41%  |
| Ms. GUI Changqing (Note 2) | Beneficiary of trust             | 930,000,000 (L)         | 42.41%  |
| Mr. WANG Duo               | Beneficial owner                 | 2,000,000 (L)           | 0.09%   |

Long position in share options of the Company:

| <b>Name of Director</b> | <b>Number of share options beneficially owned</b> |
|-------------------------|---|
| 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, 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.

Save as disclosed above, as at 30 June 2021, 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 2021, 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:

| <b>Name</b>                                    | <b>Capacity</b>   | <b>Number of Shares</b> | <b>Approximate percentage of Shareholding</b> |
|--|---|-------------------------|---|
| Trident Trust Company (HK) Limited<br>(Note 2) | Trustee of a trust                                      | 930,000,000 (L)         | 42.41%  |
| Paddy Aroma Investment Limited<br>(Note 2)     | Interest in a controlled corporation                    | 930,000,000 (L)         | 42.41%  |
| Natural Capital Holding Limited<br>(Note 2)    | Beneficial owner  | 930,000,000 (L)         | 42.41%  |
| PepsiCo, Inc.                                  | Beneficial owner  | 566,506,000 (L)         | 25.83%  |
| Mr. YANG Zhuoya (Note 3)                       | Interest in controlled corporation;<br>beneficial owner | 183,784,000 (L)         | 8.38%   |
| Natural Investment Holding Limited<br>(Note 3) | Beneficial owner  | 27,794,000 (L)          | 1.27%   |
| Beadvance Investments Limited<br>(Note 3)      | Beneficial owner  | 150,000,000 (L)         | 6.84%   |

*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, 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.
- (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 each 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 the 150,000,000 Shares held by Beadvance Investments Limited.

# Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2021, 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, 2021, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

## PURCHASE, SALE AND REDEMPTION OF SHARES

There were no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiary during the six months ended 30 June 2021.

## 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 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 2021.

## 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 2021.

# Corporate Governance and Other Information

## SHARE OPTION SCHEME

On 19 November 2018, the Shareholders approved and conditionally adopted a share option scheme (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 12 December 2018.

The purpose of the Share Option Scheme is to incentivise and reward the Eligible Persons (as defined 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.

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 the Group or associated companies of the Company, consultant, advisor, customer, supplier, agent, partner or contractor to the Group (the “**Eligible Persons**”).

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 12 December 2018 (the “**Listing Date**”).

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date (subject to earlier termination by the Company in general meeting or by the Board), 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. 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

During the six months ended 30 June 2021, 182,717 share options had been cancelled and no share options had been exercised. As at 30 June 2021, 63,692,502 share options were outstanding.

Details of the options remained outstanding and at 30 June 2021 are as follows:

| Name and class of grantees                          | Date of grant | Number of share options      |  |  |  | Balance as at 30 June 2021 | Exercise price per share (HK\$) | Exercisable period |
|---|---------------|------------------------------|--|--|--|----------------------------|---------------------------------|--------------------|
|   |               | Balance as at 1 January 2021 | Granted during the six months ended 30 June 2021 | Exercised during the six months ended 30 June 2021 | Cancelled/ Lapsed during the six months ended 30 June 2021 |                            |                                 |                    |
| 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             |
|   |               | <b>10,000,000</b>            | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>10,000,000</b>          |                                 |                    |
|   | 12 June 2019  | 2,920,000                    | -  | -  | -  | 2,920,000                  | 1.468                           | Note a             |
|   | 12 June 2019  | 17,425,219                   | -  | -  | (182,717)  | 17,242,502                 | 1.468                           | Note b             |
| Continuous contract employees                       | 12 June 2019  | 19,000,000                   | -  | -  | -  | 19,000,000                 | 1.468                           | Note c             |
|   | 12 June 2019  | 13,530,000                   | -  | -  | -  | 13,530,000                 | 1.468                           | Note d             |
|   |               | <b>52,875,219</b>            | <b>-</b>   | <b>-</b>   | <b>(182,717)</b>   | <b>52,692,502</b>          |                                 |                    |
| Those who have or may have contributed to the Group | 12 June 2019  | 1,000,000                    | -  | -  | -  | 1,000,000                  | 1.468                           | Note a             |
|   |               | <b>1,000,000</b>             | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>1,000,000</b>           |                                 |                    |
|   |               | <b>63,875,219</b>            | <b>-</b>   | <b>-</b>   | <b>(182,717)</b>   | <b>63,692,502</b>          |                                 |                    |

- 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.
- 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.
- 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.
- 100% of the share options are exercisable commencing from 12 June 2020 to 11 December 2028.

# Corporate Governance and Other Information

## INTERIM DIVIDEND

At the Board meeting held on 26 August 2021, the Board resolved to declare the payment of an interim dividend of RMB0.016 per ordinary share representing a total distribution of approximately RMB35,016,224 to be paid on 30 September 2021 (Thursday) to shareholders of the Company whose names appear on the Company's register of members on 17 September 2021 (Friday), which represented approximately 92.07% of the Group's net profit for the six months ended 30 June 2021. The record date for determining the entitlement to the proposed interim dividend is Friday, 17 September 2021.

Dividends payable to holders of shares will be paid in Hong Kong dollar. The dividends payable in Hong Kong dollar will be calculated based on the middle exchange rate of Hong Kong dollar to Renminbi published by the People's Bank of China on the dividends declaration date. During 26 August 2021, the middle exchange rate of Renminbi to Hong Kong dollar was HK\$1.00 = RMB0.83161. Accordingly, the amount of the interim dividends for each share of the Company for the six months ended 30 June 2021 is HK\$0.02.

## BOOK CLOSURE PERIOD

For determining the entitlement of the proposed interim dividend, the register of members of the Company was closed from Wednesday, 15 September 2021 to Friday, 17 September 2021, both days inclusive, during which period no transfer of shares was effected. In order to qualify for the proposed interim dividend, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 September 2021.

## EVENTS AFTER THE PERIOD

The Group has no significant subsequent events after 30 June 2021 which are required to be disclosed as at the date of this report.

# Corporate Governance and Other Information

## 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 2021:

|   | Budget       | Amount that<br>had been<br>utilised as at<br>30 June 2021<br>(HK\$ million) | Remaining<br>balance as at<br>30 June 2021 |
|---|--------------|---|--|
| To further enhance the integrated distribution platform and optimise our channel mix  | 222.9        | 222.9   | –  |
| – To expand the online presence through further developing the technology infrastructure  | 22.3         | 22.3  | –  |
| – To upgrade certain existing concessionary counters into integrated health food stores in supermarkets   | 22.3         | 22.3  | –  |
| – To further increase the number of the concessionary counters, including the related expense for decoration, equipment procurement and other fees                      | 44.6         | 44.6  | –  |
| – To expand into and introduce our existing and/or new products at various high frequency “on-the-go” consumption channels  | 133.7        | 133.7   | –  |
| 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        | 268.4   | 113.7                                      |
| To use for general corporate purposes   | 31.8         | 31.8  | –  |
| <b>Total</b>  | <b>636.8</b> | <b>523.1</b>  | <b>113.7</b>                               |

As at 30 June 2021, 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.



# Corporate Governance and Other Information

## CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

There have been no changes in the information of Directors and chief executive of the Company since the publication of the 2020 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, save and except that:

Mr. Zhang Senquan resigned as independent non-executive director of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 6188), in June 2021. Mr. Zhang's current appointments in listed companies include serving as the company secretary of China General Education Group Limited (中國通才教育集團有限公司), the shares of which have been listed on the Stock Exchange (stock code: 2175) since July 2021.

## 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 2021. The consolidated financial information for the six months ended 30 June 2021 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.



# Report on Review of Interim Condensed Consolidated Financial Statements



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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 23 to 48, 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 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months 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.

### 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  
26 August 2021

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

For the six months ended 30 June 2021

|  | Notes | For the six months ended 30 June |                                |
|--|-------|----------------------------------|--------------------------------|
|  |       | 2021<br>RMB'000<br>(Unaudited)   | 2020<br>RMB'000<br>(Unaudited) |
| REVENUE  | 5     | 753,899                          | 610,330                        |
| Cost of sales  |       | (219,018)                        | (196,970)                      |
| Gross profit   |       | 534,881                          | 413,360                        |
| Other income and gains                                     | 5     | 6,536                            | 3,815                          |
| Selling and distribution expenses                          |       | (455,103)                        | (457,409)                      |
| Administrative expenses                                    |       | (38,373)                         | (39,351)                       |
| Reversal of impairment of/(impairment of) financial assets |       | 3,752                            | (1,267)                        |
| Other expenses   |       | (3,330)                          | (1,932)                        |
| Finance costs  | 7     | (401)                            | (443)                          |
| PROFIT/(LOSS) BEFORE TAX                                   | 6     | 47,962                           | (83,227)                       |
| Income tax (expense)/credit                                | 8     | (9,930)                          | 30,886                         |
| PROFIT/(LOSS) FOR THE PERIOD                               |       | 38,032                           | (52,341)                       |
| Attributable to:   |       |                                  |                                |
| Owners of the parent                                       | 10    | 38,032                           | (52,341)                       |
| Non-controlling interests                                  |       | -                                | -                              |
|  |       | 38,032                           | (52,341)                       |

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

For the six months ended 30 June 2021

|  | Note | For the six months ended 30 June |                                |
|--|------|----------------------------------|--------------------------------|
|  |      | 2021<br>RMB'000<br>(Unaudited)   | 2020<br>RMB'000<br>(Unaudited) |
| <b>OTHER COMPREHENSIVE INCOME</b>  |      |                                  |                                |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods:     |      |                                  |                                |
| Exchange differences on translation of foreign operations                                  |      | <b>5,321</b>                     | (9,718)                        |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: |      |                                  |                                |
| Translation from functional currency to presentation currency                              |      | <b>(7,195)</b>                   | 13,368                         |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS)FOR THE PERIOD</b>                                     |      | <b>36,158</b>                    | (48,691)                       |
| Attributable to:   |      |                                  |                                |
| Owners of the parent   |      | <b>36,158</b>                    | (48,691)                       |
| Non-controlling interests  |      | <b>–</b>                         | –                              |
|  |      | <b>36,158</b>                    | (48,691)                       |
| <b>Earnings/(loss) per share (expressed in RMB)</b>  |      |                                  |                                |
| 10   |      |                                  |                                |
| Basic  |      | <b>0.02</b>                      | (0.02)                         |
| Diluted  |      | <b>0.02</b>                      | (0.02)                         |

# Interim Condensed Consolidated Statement of Financial Position

30 June 2021

|   | Notes | 30 June<br>2021<br>RMB'000<br>(Unaudited) | 31 December<br>2020<br>RMB'000<br>(Audited) |
|---|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                             |       |   |   |
| Property, plant and equipment                         | 11    | 311,604                                   | 306,099                                     |
| Right-of-use assets                                   |       | 51,135                                    | 54,469                                      |
| Intangible assets                                     |       | 467                                       | 598   |
| Deferred tax assets                                   |       | 63,074                                    | 65,642                                      |
| <b>Total non-current assets</b>                       |       | <b>426,280</b>                            | 426,808                                     |
| <b>CURRENT ASSETS</b>                                 |       |   |   |
| Inventories   | 12    | 59,160                                    | 92,022                                      |
| Trade and bills receivables                           | 13    | 135,667                                   | 161,934                                     |
| Financial assets at fair value through profit or loss | 14    | –   | 20,750                                      |
| Prepayments, other receivables and other assets       | 15    | 43,700                                    | 41,422                                      |
| Amounts due from related parties                      | 21    | 10,957                                    | 10,448                                      |
| Cash and cash equivalents                             | 16    | 659,016                                   | 564,175                                     |
| Restricted bank deposits                              | 16    | 554                                       | 557   |
| <b>Total current assets</b>                           |       | <b>909,054</b>                            | 891,308                                     |
| <b>CURRENT LIABILITIES</b>                            |       |   |   |
| Trade payables  | 17    | 46,314                                    | 52,618                                      |
| Contract liabilities                                  |       | 10,235                                    | 12,330                                      |
| Other payables and accruals                           |       | 111,133                                   | 124,212                                     |
| Lease liabilities                                     |       | 5,428                                     | 5,389                                       |
| Tax payable   |       | 31,853                                    | 31,251                                      |
| <b>Total current liabilities</b>                      |       | <b>204,963</b>                            | 225,800                                     |
| <b>NET CURRENT ASSETS</b>                             |       | <b>704,091</b>                            | 665,508                                     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |       | <b>1,130,371</b>                          | 1,092,316                                   |

# Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2021

|   | Notes | 30 June<br>2021<br>RMB'000<br>(Unaudited) | 31 December<br>2020<br>RMB'000<br>(Audited) |
|---|-------|---|---|
| <b>NON-CURRENT LIABILITIES</b>              |       |   |   |
| Deferred income                             |       | 500                                       | 500   |
| Deferred tax liabilities                    |       | 5,424                                     | 3,324                                       |
| Lease liabilities                           |       | 10,787                                    | 13,004                                      |
| <b>Total non-current liabilities</b>        |       | <b>16,711</b>                             | 16,828                                      |
| <b>Net assets</b>                           |       | <b>1,113,660</b>                          | 1,075,488                                   |
| <b>EQUITY</b>                               |       |   |   |
| Equity attributable to owners of the parent |       |   |   |
| Share capital                               | 18    | 147                                       | 147   |
| Other reserves                              |       | 1,113,513                                 | 1,075,341                                   |
| <b>Non-controlling interests</b>            |       | <b>–</b>                                  | –   |
| <b>Total equity</b>                         |       | <b>1,113,660</b>                          | 1,075,488                                   |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

|   | Attributable to owners of the parent |               |                      |                |                              |                           |                  | Total     |
|---|--------------------------------------|---------------|----------------------|----------------|------------------------------|---------------------------|------------------|-----------|
|   | Share capital                        | Share premium | Share option 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   |
|   | (Note18)                             |               |                      |                |                              |                           |                  |           |
| At 1 January 2021 (audited)                                   | 147                                  | 1,137,738     | 25,493               | (87,350)       | (24,460)                     | 32,832                    | (8,912)          | 1,075,488 |
| Profit for the period   | -                                    | -             | -                    | -              | -                            | -                         | 38,032           | 38,032    |
| Exchange differences on translation of foreign operations     | -                                    | -             | -                    | -              | 5,321                        | -                         | -                | 5,321     |
| Translation from functional currency to presentation currency | -                                    | -             | -                    | -              | (7,195)                      | -                         | -                | (7,195)   |
| Total comprehensive income for the period                     | -                                    | -             | -                    | -              | (1,874)                      | -                         | 38,032           | 36,158    |
| Equity-settled share option arrangements                      | -                                    | -             | 2,014                | -              | -                            | -                         | -                | 2,014     |
| Transfer to statutory reserve funds                           | -                                    | -             | -                    | -              | -                            | 535                       | (535)            | -         |
| At 30 June 2021 (unaudited)                                   | 147                                  | 1,137,738*    | 27,507*              | (87,350)*      | (26,334)*                    | 33,367*                   | 28,585*          | 1,113,660 |

\* These reserve accounts comprise the consolidated reserves of RMB1,113,513,000 (31 December 2020: RMB1,075,341,000) 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 2021

|   | Attributable to owners of the parent |                 |               |                      |                |                              |                           |                  | Total     |
|---|--------------------------------------|-----------------|---------------|----------------------|----------------|------------------------------|---------------------------|------------------|-----------|
|   | Share capital                        | Treasury shares | Share premium | Share option 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   |
|   | (Note18)                             |                 |               |                      |                |                              |                           |                  |           |
| At 1 January 2020 (audited)                                   | 147                                  | (6,359)         | 1,144,097     | 14,789               | (87,350)       | (13,855)                     | 32,496                    | 5,876            | 1,089,841 |
| Loss for the period   | -                                    | -               | -             | -                    | -              | -                            | -                         | (52,341)         | (52,341)  |
| Exchange differences on translation of foreign operations     | -                                    | -               | -             | -                    | -              | (9,718)                      | -                         | -                | (9,718)   |
| Translation from functional currency to presentation currency | -                                    | -               | -             | -                    | -              | 13,368                       | -                         | -                | 13,368    |
| Total comprehensive loss for the period                       | -                                    | -               | -             | -                    | -              | 3,650                        | -                         | (52,341)         | (48,691)  |
| Cancellation of treasury shares                               | -                                    | 6,359           | (6,359)       | -                    | -              | -                            | -                         | -                | -         |
| Equity-settled share option arrangements                      | -                                    | -               | -             | 8,969                | -              | -                            | -                         | -                | 8,969     |
| At 30 June 2020 (unaudited)                                   | 147                                  | -               | 1,137,738     | 23,758               | (87,350)       | (10,205)                     | 32,496                    | (46,465)         | 1,050,119 |



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

|  | For the six months ended 30 June |                                |
|--|----------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(Unaudited)   | 2020<br>RMB'000<br>(Unaudited) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                  |                                |
| Profit/(loss) before tax   | 47,962                           | (83,227)                       |
| Adjustments for:   |                                  |                                |
| Bank interest income   | (259)                            | (774)                          |
| Fair value gains from financial assets measured at fair value through profit or loss | (3,501)                          | (495)                          |
| Finance costs  | 401                              | 443                            |
| Depreciation of property, plant and equipment  | 12,953                           | 14,940                         |
| Depreciation of right-of-use assets  | 3,666                            | 3,671                          |
| Amortisation of intangible assets  | 131                              | 285                            |
| (Reversal of impairment of)/impairment of trade and bills receivables                | (3,752)                          | 1,267                          |
| Loss on disposal of items of property, plant and equipment                           | 3,056                            | –                              |
| Equity-settled share option expenses   | 2,014                            | 8,969                          |
| Unrealised exchange loss/(gain)  | 8                                | (185)                          |
|  | <b>62,679</b>                    | <b>(55,106)</b>                |
| Decrease in inventories  | 32,862                           | 35,881                         |
| Decrease in trade and bills receivables  | 30,019                           | 69,709                         |
| (Increase)/decrease in prepayments, other receivables and other assets               | (2,278)                          | 14,229                         |
| Decrease in an amount due from a director  | –                                | 6                              |
| Increase in amounts due from related parties   | (509)                            | (258)                          |
| Decrease in restricted bank deposit  | 3                                | –                              |
| Decrease in trade payables   | (6,305)                          | (17,197)                       |
| Decrease in other payables and accruals  | (13,062)                         | (13,080)                       |
| (Decrease)/increase in contract liabilities  | (2,096)                          | 762                            |
| Decrease in deferred income  | –                                | (44)                           |
|  | <b>101,313</b>                   | <b>34,902</b>                  |
| Cash generated from operations   | 101,313                          | 34,902                         |
| Interest received  | 259                              | 774                            |
| Income tax paid  | (4,688)                          | (6,704)                        |
|  | <b>96,884</b>                    | <b>28,972</b>                  |
| Net cash flows from operating activities   | 96,884                           | 28,972                         |

# Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2021

|  | For the six months ended 30 June |                                |
|--|----------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(Unaudited)   | 2020<br>RMB'000<br>(Unaudited) |
| Net cash flows from operating activities   | 96,884                           | 28,972                         |
| CASH FLOWS FROM INVESTING ACTIVITIES   |                                  |                                |
| Purchase of financial assets measured at fair value through profit or loss                 | (104,000)                        | (186,000)                      |
| Proceeds from redemption of financial assets measured at fair value through profit or loss | 128,286                          | 131,495                        |
| Purchase of items of property, plant and equipment   | (21,570)                         | (21,139)                       |
| Proceeds from disposal of items of property, plant and equipment                           | 35                               | –                              |
| Net cash flows from/(used in) investing activities   | 2,751                            | (75,644)                       |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                                  |                                |
| Interest paid  | (401)                            | (443)                          |
| Principal portion of lease payments  | (2,520)                          | (3,170)                        |
| Net cash flows used in financing activities  | (2,921)                          | (3,613)                        |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS                                       | 96,714                           | (50,285)                       |
| Cash and cash equivalents at beginning of period   | 564,175                          | 558,048                        |
| Effect of foreign exchange rate changes, net   | (1,873)                          | 3,838                          |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD   | 659,016                          | 511,601                        |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS  |                                  |                                |
| Cash and bank balances   | 659,016                          | 511,601                        |

# Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2021 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 2020.

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 2020, except for the adoption of the following 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 2021

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

|  |  |
|--|--|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKAS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i>                              |
| Amendment to HKFRS 16  | <i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i> |

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any COVID-19-related rent concessions.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 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 months ended 30 June 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 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 2021 and 2020.

An analysis of revenue is as follows:

|  | For the six months ended 30 June |                                |
|--|----------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(unaudited)   | 2020<br>RMB'000<br>(unaudited) |
| <b>Revenue from contracts with customers</b> |                                  |                                |
| Sale of goods                                | 753,899                          | 610,330                        |
| <b>Timing of revenue recognition</b>         |                                  |                                |
| Goods transferred at a point in time         | 753,899                          | 610,330                        |

|  | For the six months ended 30 June |                                |
|--|----------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(unaudited)   | 2020<br>RMB'000<br>(unaudited) |
| <b>Other income and gains</b>  |                                  |                                |
| Government grants*   | 1,429                            | 900                            |
| Bank interest income   | 259                              | 774                            |
| Fair value gains from financial assets at fair value<br>through profit or loss | 3,501                            | 495                            |
| Commission income from provision of a sales platform                           | 911                              | 929                            |
| Others   | 436                              | 717                            |
|  | <b>6,536</b>                     | <b>3,815</b>                   |

\* 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 2021

## 6. PROFIT/(LOSS) BEFORE TAX

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

|  | For the six months ended 30 June |                                |
|--|----------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(unaudited)   | 2020<br>RMB'000<br>(unaudited) |
| Cost of inventories sold   | 219,018                          | 196,970                        |
| Depreciation of property, plant and equipment  | 12,953                           | 14,940                         |
| Depreciation of right-of-use assets  | 3,666                            | 3,671                          |
| Lease payments not included in the measurement of lease liabilities                  | 1,802                            | 983                            |
| Research and development costs*  | 1,836                            | 1,945                          |
| Amortisation of intangible assets  | 131                              | 285                            |
| Employee benefit expense (excluding directors' and chief executive's remuneration):  |                                  |                                |
| Wages and salaries   | 73,406                           | 76,784                         |
| Equity-settled share option expenses   | 1,404                            | 7,521                          |
| Pension scheme contributions   | 8,047                            | 4,564                          |
| Auditor's remuneration   | 396                              | 377                            |
| (Reversal of impairment of)/impairment of trade and bills receivables**              | (3,752)                          | 1,267                          |
| Loss on disposal of items of property, plant and equipment                           | 3,056                            | –                              |
| Fair value gains from financial assets measured at fair value through profit or loss | (3,501)                          | (495)                          |
| Finance costs  | 401                              | 443                            |
| Bank interest income   | (259)                            | (774)                          |

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

\*\* (Reversal of impairment of)/impairment of trade and bills receivables is included in "Reversal of impairment of/(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 2021

## 7. FINANCE COSTS

An analysis of finance costs from operations is as follows:

|                   | For the six months ended 30 June |                                |
|-------------------|----------------------------------|--------------------------------|
|                   | 2021<br>RMB'000<br>(unaudited)   | 2020<br>RMB'000<br>(unaudited) |
| Interests on:     |                                  |                                |
| Lease liabilities | 401                              | 443                            |
|                   | <b>401</b>                       | <b>443</b>                     |

## 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 2020: 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 2020: 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 2020: 25%) on their taxable profits for the six months ended 30 June 2021 and 2020.

For the six months ended 30 June 2021 and 2020, 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 2021

## 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 |                                |
|--|----------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(unaudited)   | 2020<br>RMB'000<br>(unaudited) |
| Current – PRC                            |                                  |                                |
| Charge for the period                    | 5,262                            | 2,493                          |
| Deferred tax                             | 4,668                            | (33,379)                       |
| Total tax charge/(credit) for the period | 9,930                            | (30,886)                       |

## 9. INTERIM DIVIDEND

On 26 August 2021, the board declared an interim dividend of RMB0.016 (six months ended 30 June 2020: Nil) per ordinary share, amounting to a total of approximately RMB35,016,000 (six months ended 30 June 2020: Nil).

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings/(loss) per share for the period is based on the profit/(loss) 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/(loss) per share for the period is based on the profit/(loss) 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/(loss) 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 2021

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

| Earnings/(loss)  | For the six months ended 30 June |                 |
|--|----------------------------------|-----------------|
|  | 2021<br>RMB'000                  | 2020<br>RMB'000 |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(losses) per share calculation | <b>38,032</b>                    | (52,341)        |

| Shares  | For the six months ended 30 June |               |
|---|----------------------------------|---------------|
|   | 2021                             | 2020          |
| Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation   | <b>2,188,514,000</b>             | 2,188,514,000 |
| Effect of dilution – weighted average number of ordinary shares: Share options                                | –                                | –             |
| Weighted average number of ordinary shares in issue used in the diluted earnings/(loss) per share calculation | <b>2,188,514,000</b>             | 2,188,514,000 |

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the period ended 30 June 2021 and 2020 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of RMB5,018,000 (six months ended 30 June 2020: RMB4,244,000), and incurred construction in progress at a cost of RMB16,536,000 (six months ended 30 June 2020: RMB16,783,000).

Assets with a net book value of RMB3,091,000 were disposed of by the Group during the six months ended 30 June 2021 (30 June 2020: Nil). 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 2021, no impairment loss was recognised (30 June 2020: Nil).

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 12. INVENTORIES

|                  | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|------------------|---|---|
| Raw materials    | <b>20,827</b>                                       | 35,965                                      |
| Work in progress | <b>1,757</b>  | 1,823                                       |
| Finished goods   | <b>29,103</b>                                       | 46,389                                      |
| Consumables      | <b>7,473</b>  | 7,845                                       |
|                  | <b>59,160</b>                                       | 92,022                                      |

## 13. TRADE AND BILLS RECEIVABLES

|                   | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|-------------------|---|---|
| Trade receivables | <b>118,800</b>                                      | 165,840                                     |
| Bills receivable  | <b>21,385</b>                                       | 4,671                                       |
| Impairment        | <b>(4,518)</b>                                      | (8,577)                                     |
|                   | <b>135,667</b>                                      | 161,934                                     |

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.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 13. TRADE AND BILLS RECEIVABLES (Continued)

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:

|                | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------|---|---|
| Within 1 month | <b>132,633</b>                                      | 149,620                                     |
| 1 to 2 months  | <b>1,739</b>  | 2,053                                       |
| 2 to 3 months  | <b>676</b>  | 800   |
| Over 3 months  | <b>619</b>  | 9,461                                       |
|                | <b>135,667</b>                                      | 161,934                                     |

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

|  | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|--|---|---|
| Financial asset at fair value through profit or loss | –   | 20,750                                      |
| Unlisted investments:                                |   |   |
| Structured deposits                                  | –   | 20,750                                      |

The Group had no balance of structured deposits as at 30 June 2021. (As at 31 December 2020, the Group had structured deposits denominated in RMB which are open ended and charged at the rates ranging from 0.35% to 0.80% per annum.)

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

|                             | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|-----------------------------|---|---|
| Prepayments                 | <b>9,784</b>  | 14,188                                      |
| Deposits                    | <b>5,074</b>  | 5,179                                       |
| Value-added tax recoverable | <b>13,787</b>                                       | 11,436                                      |
| Employee advances           | <b>4,624</b>  | 6,362                                       |
| Other receivables           | <b>13,659</b>                                       | 7,485                                       |
| Impairment allowance        | <b>(3,228)</b>                                      | (3,228)                                     |
|                             | <b>43,700</b>                                       | 41,422                                      |

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 2021

## 16. CASH AND CASH EQUIVALENTS

|                                | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|--------------------------------|---|---|
| Cash and bank balances         | <b>659,016</b>                                      | 564,175                                     |
| Restricted bank deposits       | <b>554</b>  | 557   |
|                                | <b>659,570</b>                                      | 564,732                                     |
| Less: Restricted bank deposits | <b>(554)</b>  | (557)                                       |
| Cash and cash equivalents      | <b>659,016</b>                                      | 564,175                                     |
| Denominated in:                |   |   |
| — RMB                          | <b>485,487</b>                                      | 386,130                                     |
| — HK\$                         | <b>174,083</b>                                      | 178,602                                     |
|                                | <b>659,570</b>                                      | 564,732                                     |

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 2021

## 17. 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:

|                | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------|---|---|
| Within 1 month | <b>30,445</b>                                       | 40,285                                      |
| 1 to 2 months  | <b>12,371</b>                                       | 8,101                                       |
| 2 to 3 months  | <b>985</b>  | 2,010                                       |
| Over 3 months  | <b>2,513</b>  | 2,222                                       |
|                | <b>46,314</b>                                       | 52,618                                      |

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

## 18. SHARE CAPITAL

|   | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|---|---|---|
| Issued and fully paid:                              |   |   |
| 2,188,514,000 (2020: 2,188,514,000) ordinary shares | <b>147</b>  | 147   |

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 19. COMMITMENTS

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

|                     | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|---------------------|---|---|
| Capital commitments | <b>17,153</b>                                       | 23,129                                      |

As at 30 June 2021 and 31 December 2020, the amounts of capital commitments were related to the purchase of property, plant and equipment.

## 20. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the period:

### *Sales of goods to related parties:*

|   | <b>For the six months ended 30 June</b> |                                |
|---|---|--------------------------------|
|   | <b>2021<br/>RMB'000<br/>(Unaudited)</b> | 2020<br>RMB'000<br>(Unaudited) |
| Shenzhen Jingya Natural Food Science and Technology Co., Ltd. ("Shenzhen Jingya") | <b>400</b>                              | 248                            |
| Pepsico Foods (China) Co., Ltd.   | <b>450</b>                              | –                              |
|   | <b>850</b>                              | 248                            |

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 2021 and 2020.

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 2021

## 20. RELATED PARTY TRANSACTIONS (Continued)

### (b) Outstanding balances with related parties

#### Amount due from related parties:

|                                 |      | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|---------------------------------|------|---|---|
| Shenzhen Jingya                 | (i)  | <b>10,719</b>                                       | 10,261                                      |
| Pepsico Foods (China) Co., Ltd. | (i)  | <b>210</b>  | 187   |
| Mr. Zhang Zefei                 | (ii) | <b>28</b>   | –   |
|                                 |      | <b>10,957</b>                                       | 10,448                                      |

- (i) The balances of amounts due from related parties are unsecured, interest-free and repayable on demand. The balances as at 30 June 2021 and 31 December 2020 were trade in nature.
- (ii) Mr. Zhang Zefei is the brother of Mr. Zhang Zejun who is the shareholder and director of the Group. The balance was employee advances in nature.

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

|                                     | <b>For the six months ended 30 June</b> |                                |
|-------------------------------------|---|--------------------------------|
|                                     | <b>2021<br/>RMB'000<br/>(Unaudited)</b> | 2020<br>RMB'000<br>(Unaudited) |
| Short term employee benefits        | <b>1,572</b>                            | 1,590                          |
| Post-employment benefits            | <b>29</b>                               | 23                             |
| Equity-settled share option expense | <b>610</b>                              | 1,448                          |
|                                     | <b>2,211</b>                            | 3,061                          |

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 2021

## 21. 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 2021 | Exercise period (both dates inclusive) | Exercise price per share |
|-------|---------------|--------------------------|-----------------------------|-----------------------------|-----------------|--|--------------------------|
|       |               | At 1 January 2021        | 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    | 17,425,219               | –                           | 182,717                     | 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                |
|       |               | 63,875,219               | –                           | 182,717                     | 63,692,502      |  |                          |

The Group recognised share option expenses of RMB2,014,000 in the six months ended 30 June 2021.

As at 30 June 2021, the Company had 63,692,502 share options outstanding under the Share Option Scheme.

## 22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2021 and 31 December 2020, 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.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

|  | Fair value measurement using                                  |   |   |
|--|---|---|---|
|  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |
| <b>As at 30 June 2021 (unaudited)</b>                    |   |   |   |
| Financial assets at fair value through<br>profit or loss | -   | -   | -   |
| <b>As at 31 December 2020 (audited)</b>                  |   |   |   |
| Financial assets at fair value through<br>profit or loss | -   | 20,750  | -   |

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021

## 23. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant subsequent events after 30 June 2021 which are required to be disclosed as at the date of this report.

## 24. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 were approved and authorised for issue by the board of directors of the Company on 26 August 2021.