



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

**2022**

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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, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

## COMPANY'S WEBSITE

<http://www.szwgmf.com>

## AUDITORS

Ernst & Young  
Certified Public Accountants

# Corporate Information

## HONG KONG LEGAL ADVISOR

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

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

## PRINCIPAL BANKERS

China Merchants Bank  
Ping An Bank  
Bank of Communications

# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2022, a new round of the COVID-19 pandemic caused disruption to the continuous recovery of economic and social life across the country. Against this backdrop, the development of China's fast-moving consumer goods market remained relatively stable, demonstrating the resilience of rigid supplies to people's livelihood.

Facing the challenges under an objective environment, the Group specified the brand positioning of "Natural Food for macrobiotic living (食養, 找五谷磨房)" during the period. Under this positioning support, the Group continued to vigorously develop its e-commerce business, proactively explored new opportunities under its offline channel business and promoted its offline counter business with the theme of "streamlining + efficiency improvement".

In the first half of 2022, the revenue of the Group increased by approximately 11.5% year-on-year to RMB840.4 million; and net profit increased by approximately 37.7% year-on-year to RMB52.4 million.

## E-COMMERCE CHANNELS

In facing the emerging new opportunities in e-commerce channels, the Group consolidated its leading position in sales through traditional e-commerce platforms and vigorously developed social media e-commerce represented by Douyin Store and Kuaishou stores.

In the first half of 2022, the Group's e-commerce channel realised a total revenue of RMB326.6 million, representing an increase of approximately 36.6% over the same period last year.

The expansion and cultivation of online channels represented by traditional e-commerce platforms have 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 2022, we achieved excellent performance in key marketing festivals such as "3.8 Goddess Festival" and "618".

With remarkable results achieved on the traditional e-commerce platform, we acutely captured the opportunities arising from the rapid development of social e-commerce platforms, including Douyin Store and Kuaishou (快手). Through various forms of video/graphics with rich contents, as well as brand self-broadcasting and 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, to continuously incorporate the brand positioning of "Search Wugu Mofang for Food and Nourishment" into the deep mind of consumers and enhance the brand's favourability and recognition. As a result, sales revenue of Wugu Mofang through social e-commerce channels, including Douyin Store and Kuaishou (快手), accounted for approximately approximately 37% of the sales revenue of e-commerce channels. The structure of the Group's e-commerce channels has become more balanced.

# Management Discussion and Analysis

## OFFLINE CHANNELS

The Group's offline channels mainly include the direct-operated concessionary counters business in supermarkets and the new channel business based on the distribution model.

### Concessionary Counters Business

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.

The offline commerce and retail environment then showed a considerable performance difference under the continuous impact of the COVID-19 pandemic. In view of this, the Group timely adopted the "streamlining + efficiency improvement" strategy to reduce the number of counters while increasing the unit yield of counters. However, the number of the Group's concessionary counters decreased during the Period due to the resurgence of the pandemic. As of 30 June 2022, the Group had 2,234 concessionary counters nationwide, representing a year-on-year decrease of approximately 17.4%, which was the main reason for the decrease in the revenue of the Group's concessionary counters during the Period. During the Period, the Group's concessionary counters has recorded a sales revenue of RMB431.6 million, representing a year-on-year decrease of approximately 16.0%.

Meanwhile, we have also observed that the COVID-19 pandemic has left a far-reaching impact on the offline business environment, especially the significant trend of declining consumer traffic in hypermarkets. Given 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. Still, the Group will continue to operate offline counters from a long-term perspective. At the same time, the Group will extend the life cycle of consumers by effective membership management mechanism, in order to increase their consumption and repeated purchase rate.

Leveraging the extensive use and penetration of the WeChat platform in consumers' daily lives 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.

### New channel business

The Group's new channel business achieved outstanding performance in the first half of 2022. As of 30 June 2022, the Group had successfully conducted sales activities in nearly 5,000 terminal stores, including 3,816 small modern channels, 449 high-end and boutique supermarkets and 676 cheap-price hypermarkets, achieved a sales revenue of RMB82.2 million from the new channel business.

# Management Discussion and Analysis

## Products

“Homology of medicine and food (藥食同源)” and “natural, healthy and without additives (天然健康無添加)” is the product concepts the Group has been adhered to since its incorporation. Through the in-depth development of advantageous raw materials, the Group has broken the category barriers and expanded the consumption scenarios, providing consumers with a wide range of products, including cereal nutrition powder, new Chinese nutritional products, dietary and healthy snacks.

The Group's core single product “Walnut Sesame Black Bean Powder (核桃芝麻黑豆粉)” recorded a year-on-year increase of approximately 36% in GMV on e-commerce channels, maintaining its position as the No. 1 natural grain powder product in the entire network. In addition, the sesame pills (芝麻丸) performed well as reflected by a year-on-year increase of approximately 670% in GMV.

## BRAND BUILDING

Through cooperating with professional third-party institutions in the first half of 2022, we specified the brand positioning of “Natural Food for macrobiotic living” and led the brand's long-term and sustainable development under its support.

The Group carried out content and diversified communication with all social/e-commerce channels, including Taobao Station (淘寶站), Xiaohongshu (小紅書) and Weibo (微博), to change consumers' previous blurred impression of the brand and establish a clearer brand image of “good ingredients, no additives and more professional (好食材、無添加、更專業)”.

In addition, the Group also actively carried out in-depth cooperation with well-known experts in nutrition and health industries to build a brand moat with professionalism and craftsmanship.

Moreover, the brand communication of “Wugu Mofang” (五谷磨房) continued to penetrate new generation groups, and cultivate new users with the goal of making the classic brand “Wugu Mofang (五谷磨房)” fashionable. 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.

# Management Discussion and Analysis

## OUTLOOK

Looking forward into the future, despite increasing uncertainties in economic situation development as a result of COVID-19 epidemic resurgence, the epidemic will eventually come to an end from a relatively longer term perspective, while people's escalating health awareness and consumption upgrading will be the drivers for long-term development. At the same time, we ought to face the trend of times with changes in channels and seize new opportunities in the era under the background of increasingly differentiated sales channels. The Group will popularize the brand positioning of "Natural Food for macrobiotic living" among consumers and enhance brand recognition through efficient brand establishment and marketing covering all product portfolios. We will continue to establish an unique model with mutual empowerment covering all channels, vigorously develop new channel business and firmly seize new trends in the changing e-commerce channels. Moreover, we will continue to assess the opportunities in different channels and develop suitable product portfolios, providing consumers with higher-quality services and product experience.

## 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. The following table sets out a breakdown of the Group's revenue by sales channel, each expressed in the absolute amount and as a percentage to its total revenue, for the periods indicate:

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
<b>Offline channels</b>				
Offline concessionary counter	<b>513,798</b>	<b>61.1</b>	514,719	68.3
New channel business	<b>431,610</b>	<b>51.3</b>	513,869	68.2
<b>Online channels</b>				
E-commerce platforms	<b>326,613</b>	<b>38.9</b>	239,180	31.7
<b>Total</b>	<b>840,411</b>	<b>100.0</b>	753,899	100.0

# Management Discussion and Analysis

For the six months ended 30 June 2022, absolute amounts of revenue generated from sales through its offline and online channels increased as compared to the corresponding period in 2021 and total revenue increased from RMB753.9 million for the six months ended 30 June 2021 to RMB840.4 million for the six months ended 30 June 2022. As a percentage to the total revenue, revenues generated from sales through the offline channels decreased to approximately 61.1% for the Period from approximately 68.3% for the corresponding period in 2021, while revenue generated from sales through online channels increased from approximately 31.7% for the six months ended 30 June 2021 to approximately 38.9% for the Period. The increase in revenue was primarily due to the increase in the revenue generated from online channels is mitigated by the decrease in the revenue generated from offline channels.

The decrease in sales through offline channels was mainly attributable to (i) the adoption of a “streamlining + efficiency improvement” strategy for offline concessionary counters, which reduced the number of offline concessionary counters, increasing the average revenue of each offline concessionary counters, it resulted the decrease in the revenue generated from offline concessionary counters; (ii) the new channel business had a good development momentum. During the Period, benefiting from the effective implementation of the Group’s new channel business development strategy, it resulted in the strong growth of new channel business revenue of the Group.

Revenue generated from sales through online channels increased, which was mainly due to (i) the “Black Nutrition (黑之養)” series products branded under the black nutrition expert brand recorded an excellent sales; (ii) the E-commerce team has well operated the traditional E-commerce channels while setting up and operating other social E-commerce platforms including Douyin Store, which successfully contributed to the significant increase in revenue generated from online channels.

As a percentage of the total revenue, revenues generated from sales through the offline channels decreased from approximately 68.3% in the same period of 2021 to approximately 61.1% in the Period of 2022, while revenue generated from sales through the online channels increased from approximately 31.7% in the corresponding period of 2021 to approximately 38.9% in the Period of 2022.

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

Cost of sales increased by approximately 35.9% from RMB219 million for the six months ended 30 June 2021 to RMB297.6 million for the Period, which was mainly attributable to (i) an increase in sales volume and production volume led to the increase in raw material cost; (ii) an increase in transportation expenses, for transportation expenses related to fulfilling the customer contract, it was recorded under selling and distribution expenses for the period ended 30 June 2021, while it was recorded under cost of sales for the Period.

Gross profit of the Group increased from approximately RMB534.9 million for the six months ended 30 June 2021 to approximately RMB542.8 million for the Period. The gross profit margin decreased from approximately 71% for the six months ended 30 June 2021 to approximately 64.6% for the Period, it was primarily due to the increase in percentage of revenue derived from online channels, the gross profit margin of products sold through online channels was relative low.

# Management Discussion and Analysis

## Other Income and Gains

Other income and gains of the Group increased by RMB2.5 million from approximately RMB6.5 million for the six months ended 30 June 2021 to approximately RMB9.0 million for the Period, which was mainly attributable to (i) an increase in government grants; (ii) an increase in bank interest income, because of the increase in the average bank balance; (iii) a decrease in agency commission due to the decrease in revenue derived from selling the third party products on wechat member store.

## Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of advertising expenses, commission expenses, labour service expenses of salesmen, salary and employee benefit expenses, sales promotion expenses and others. The selling and distribution expenses decreased from approximately RMB455.1 million for the six months ended 30 June 2021 to approximately RMB440.9 million for the Period, which was mainly attributable to the combined effects of the following factors: (i) an increase in the advertisement promotion expenses was mainly due to more sales and marketing promotion activities were conducted with online channels especially the Douyin platform during the Period; (ii) a decrease in transportation expenses, for transportation expenses related to fulfilling the customer contract, it was recorded under selling and distribution expenses for the period ended 30 June 2021, while it was recorded under cost of sales for the Period; (iii) a decrease in labour service expenses of salesmen of offline channels due to the decrease in the number of concessionary counters and salesman staffs; (iv) less promotion activities carried out by supermarkets during the Period, resulting in the decrease in distribution costs associated with supermarkets during the Period.

## Administrative Expenses

The Group's administrative expenses primarily comprise salary and employee benefit expenses, other taxes and fees, office expenses, intermediary service fees, depreciation and amortization, research and development expenses, share based payment expenses and others. The administrative expenses remained basically increased from approximately RMB38.4 million for the six months ended 30 June 2021 to approximately RMB41.2 million for the Period. The increase was mainly due to the combined effects of the following factors: on one hand, (i) an increase in the salary and employee benefit expenses, it was mainly attributed to the salary increment for the administrative staffs; (ii) an increase in financial compensation because of the dismissal of employees; (iii) the rental of the new Hong Kong office resulted in the increase in the rental expenses; and on the other hand, (i) travelling expenses decreased because of the epidemic prevention measures resulted in the decrease in the demand of business travelling.

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

The Group recorded an impairment of financial assets of approximately RMB1.1 million for the Period, while the Group recorded a reversal of the impairment of financial assets of approximately RMB3.8 million for the six months ended 30 June 2021, it was mainly attributable to an increase in overdue trade and bills receivables balances.

# Management Discussion and Analysis

## Other Expenses

The other expenses of the Group decreased by approximately RMB3.1 million from approximately RMB3.3 million for the six months ended 30 June 2021 to approximately RMB0.2 million for the Period, which was mainly attributable to a decrease in the loss on disposal of property, plant and equipment.

## Finance Costs

The Group's finance costs decreased from approximately RMB0.4 million for the six month ended 30 June 2021 to approximately RMB0.3 million for the Period, which was primarily due to a decrease in the interest expense on lease liabilities.

## Profit Before Tax

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB68 million for the Period, as compared to a profit before tax of approximately RMB48 million for the six months ended 30 June 2021.

## Income Tax Expense

The Group's income tax expense increased from approximately RMB9.9 million for the six month ended 30 June 2021 to approximately RMB15.6 million for the Period, which was mainly attributable to (i) the reversal of the deferred tax assets recognised in the same period in 2021; (ii) an 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 income derived from preliminary agricultural proceed products which was not subject to income tax in China.

## Profit for the Period

The Group recorded a profit of approximately RMB52.4 million for the Period, as compared to a profit of the Group of approximately RMB38 million for the six months ended 30 June 2021.

# Management Discussion and Analysis

## FINANCIAL RESOURCES REVIEW

### Working Capital and Financial Resources

	As at 30 June 2022 (RMB million)	As at 31 December 2021 (RMB million)
Trade and bills receivables	211.4	176.6
Trade payables	51.5	59.7
Inventories	71.9	81.3
Trade receivables turnover days <sup>(1)</sup>	42	38
Trade payables turnover days <sup>(2)</sup>	34	43
Inventory turnover days <sup>(3)</sup>	46	67

Notes:

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

The increase in trade and bills receivables was primarily attributable to the increase in revenue. The increase in trade receivables turnover days is primarily attributed to longer time to settle the trade and bills receivables by its debtors.

The decrease in trade payables and the trade payables turnover days was due to suppliers shorten the credit period granted to the Group.

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 2022, the Group's cash and cash equivalents amounted to RMB660.9 million, representing an increase of approximately 2.3% from RMB646 million as at 31 December 2021.

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 2022, the Group had net current asset of RMB778.2 million, as compared with net current asset of RMB709.9 million as at 31 December 2021.

# Management Discussion and Analysis

## 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 2022, the Group had no contingent liabilities.

## Pledge of Assets

As at 30 June 2022, the Group did not pledge any assets.

## Gearing Ratio

As at 30 June 2022, the Group's gearing ratio (calculated by dividing total debt by total assets as of the end of each period) was approximately 1.0% (31 December 2021: 1.2%).

## Employees and Remuneration Policy

As at 30 June 2022, the Group had 694 employees, as compared with 696 employees as at 31 December 2021. For the Period, costs of employees, excluding Directors' emoluments, amounted to a total of RMB75.2 million, representing a decrease of approximately 9.3% from RMB82.9 million during the corresponding period in 2021. 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 2021, 63,692,502 share options were outstanding. During the Period, no share options had been cancelled and exercised. As at 30 June 2022, 63,692,502 share options were outstanding.

## Significant Acquisition, Disposal or Investment

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

# 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 2022, the interests or short positions of the Directors or chief executives of the Company then in office in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to the Model Code, are as follows:

Long position in ordinary shares of the Company:

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

Long position in share options of the Company:

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

Notes:

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

Save as disclosed above, as at 30 June 2022, 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 2022, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

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

Notes:

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

# Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2022, 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, 2022, 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 2022, except that the trustee of the Share Award Scheme, pursuant to the term of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total 18,126,000 Company shares at a total consideration of approximately HK\$7,975,000 (equivalent to approximately RMB6,862,000).

## 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 2022.

## 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 2022.

# Corporate Governance and Other Information

## SHARE OPTION SCHEME

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

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

### (1) Purpose:

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

### (2) Participants:

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

### (3) Total number of Shares available for issue:

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

### (4) Maximum entitlement of each participant:

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

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

# Corporate Governance and Other Information

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

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

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

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

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

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

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

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

# **Corporate Governance and Other Information**

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

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

## **(8) Basis of determining the exercise price:**

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

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

## **(9) Remaining life of the Share Option Scheme:**

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 12 December 2018, subject to earlier termination by the Company in general meeting or by the Board.

# Corporate Governance and Other Information

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

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

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

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

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

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

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

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

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

# Corporate Governance and Other Information

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

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

During the six months ended 30 June 2022, no share options had been cancelled or exercised. As at 30 June 2022, 63,692,502 share options were outstanding.

Details of the options remained outstanding and at 30 June 2022 are as follows:

Name and class of grantees	Date of grant	Number of share options						Exercise price per share (HK\$)	Exercisable period
		Balance as at 1 January 2022	Granted during the six months ended 30 June 2022	Exercised during the six months ended 30 June 2022	Cancelled/ Lapsed during the six months ended 30 June 2022	Balance as at 30 June 2022			
<b>Executive Directors</b>									
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	
<b>Independent non-executive Directors</b>									
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>10,000,000</b>			
<b>Continuous contract employees</b>									
12 June 2019		4,000,000	-	-	-	4,000,000	1.468	Note a	
12 June 2019		17,242,502	-	-	-	17,242,502	1.468	Note b	
12 June 2019		19,000,000	-	-	-	19,000,000	1.468	Note c	
12 June 2019		12,450,000	-	-	-	12,450,000	1.468	Note d	
		<b>52,692,502</b>	-	-	-	<b>52,692,502</b>			
<b>Those who have or may have contributed to the Group</b>									
12 June 2019		1,000,000	-	-	-	1,000,000	1.468	Note a	
		<b>1,000,000</b>	-	-	-	<b>1,000,000</b>			
		<b>63,692,502</b>	-	-	-	<b>63,692,502</b>			

# Corporate Governance and Other Information

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

## SHARE AWARD SCHEME

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

### 1. Objective

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

### 2. Administration

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

### 3. Scheme Limit

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

# Corporate Governance and Other Information

## 4. Voting Rights

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

## 5. Restrictions

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

# **Corporate Governance and Other Information**

## **6. Operation**

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

## **7. Vesting and Lapse**

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

18,880,000 Awarded Shares has been granted to certain employees of the Group on 11 May 2022, and no Awarded Shares has been vested or lapsed under the Share Award Scheme.

## **INTERIM DIVIDEND**

At the Board meeting held on 29 August 2022, the Board resolved not to pay interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$0.02 for each share of the Company).

## **EVENTS AFTER THE PERIOD**

The Group has no significant subsequent events after 30 June 2022 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 2022:

Name and class of grantees	Date of grant	Number of share options				Balance as at 1 January 2022	Granted during the six months ended 30 June 2022	Exercised during the six months ended 30 June 2022	Cancelled/ Lapsed during the six months ended 30 June 2022	Balance as at 30 June 2022	Exercise price (HK\$)		Exercisable period
											per share		
Executive Directors													
Ms. GUI Changqing	12 June 2019	2,000,000	-	-	-	2,000,000				2,000,000	1.468	Note a	
Mr. ZHANG Zejun	12 June 2019	2,000,000	-	-	-	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				2,000,000	1.468	Note a	
Mr. HU Peng	12 June 2019	2,000,000	-	-	-	2,000,000				2,000,000	1.468	Note a	
Mr. OUYANG Liangyi	12 June 2019	2,000,000	-	-	-	2,000,000				2,000,000	1.468	Note a	
		<b>10,000,000</b>	-	-	-	<b>10,000,000</b>							
Continuous contract employees													
12 June 2019		4,000,000	-	-	-	4,000,000				4,000,000	1.468	Note a	
12 June 2019		17,242,502	-	-	-	17,242,502				17,242,502	1.468	Note b	
12 June 2019		19,000,000	-	-	-	19,000,000				19,000,000	1.468	Note c	
12 June 2019		12,450,000	-	-	-	12,450,000				12,450,000	1.468	Note d	
		<b>52,692,502</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				1,000,000	1.468	Note a	
		<b>1,000,000</b>	-	-	-	<b>1,000,000</b>							
		<b>63,692,502</b>	-	-	-	<b>63,692,502</b>							

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

# Corporate Governance and Other Information

- (c) 50% of the share options are exercisable commencing from 12 December 2019, 50% of the share options are exerciseable commencing from 12 December 2020 respectively to 11 December 2028.
- (d) 100% of the share options are exercisable commencing from 12 June 2020 to 11 December 2028.

As at 30 June 2022, the Group holds the unutilised net proceeds as deposit with creditworthy banks with no recent history of default. There has been no change to the intended use of net proceeds as previously disclosed in the prospectus of the Company dated 29 November 2018. The proceeds were used and are proposed to be used as and when appropriate based on the Group's business needs according to the intentions previously disclosed in the prospectus of the Company.

## CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

There have been no changes in the information of Directors and chief executive of the Company since the publication of the 2021 annual report up to the date of this interim report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the financial information of the Group for the six months ended 30 June 2022. The consolidated financial information for the six months ended 30 June 2022 have been reviewed by the Company’s independent auditor, Ernst & Young in accordance with Hong Kong standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountant.

# Independent review report



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To the board of directors of Natural Food International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial statements set out on pages 28 to 54, 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 2022 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.

# Independent review report (Continued)

## CONCLUSION

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

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 August 2022

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

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	5	<b>840,411</b>	753,899
Cost of sales		<b>(297,602)</b>	(219,018)
Gross profit		<b>542,809</b>	534,881
Other income and gains	5	<b>8,950</b>	6,536
Selling and distribution expenses		<b>(440,941)</b>	(455,103)
Administrative expenses		<b>(41,213)</b>	(38,373)
(Impairment of)/reversal of impairment of financial assets		<b>(1,115)</b>	3,752
Other expenses		<b>(203)</b>	(3,330)
Finance costs	7	<b>(335)</b>	(401)
PROFIT BEFORE TAX	6	<b>67,952</b>	47,962
Income tax expense	8	<b>(15,597)</b>	(9,930)
PROFIT FOR THE PERIOD		<b>52,355</b>	38,032
Attributable to:			
Owners of the parent	10	<b>52,355</b>	38,032
Non-controlling interests		<b>-</b>	-
		<b>52,355</b>	38,032

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

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD		<b>52,355</b>	38,032
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified			
to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(22,380)</b>	5,321
Other comprehensive income not to be reclassified			
to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		<b>27,678</b>	(7,195)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>57,653</b>	36,158
Attributable to:			
Owners of the parent		<b>57,653</b>	36,158
Non-controlling interests		<b>-</b>	-
Earnings per share (expressed in RMB)			
Basic	10	<b>0.024</b>	0.017
Diluted	10	<b>0.024</b>	0.017

# Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 <b>RMB'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>305,746</b>	313,704
Right-of-use assets		<b>48,646</b>	51,206
Intangible assets		<b>473</b>	338
Deferred tax assets		<b>60,691</b>	67,300
Total non-current assets		<b>415,556</b>	432,548
<b>CURRENT ASSETS</b>			
Inventories	12	<b>71,899</b>	81,349
Trade and bills receivables	13	<b>211,432</b>	176,591
Prepayments, other receivables and other assets	14	<b>53,999</b>	49,511
Amount due from related parties	19	<b>11,303</b>	11,141
Cash and cash equivalents	15	<b>660,933</b>	646,015
Restricted bank deposits	15	<b>556</b>	888
Total current assets		<b>1,010,122</b>	965,495
<b>CURRENT LIABILITIES</b>			
Trade payables	16	<b>51,537</b>	59,732
Contract liabilities		<b>13,878</b>	15,874
Other payables and accruals		<b>109,703</b>	127,735
Lease liabilities		<b>6,790</b>	6,200
Amounts due to related parties		<b>61</b>	261
Tax payable		<b>49,908</b>	45,772
Total current liabilities		<b>231,877</b>	255,574
<b>NET CURRENT ASSETS</b>		<b>778,245</b>	709,921
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,193,801</b>	1,142,469

# Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		48	156
Deferred tax liabilities		9,204	7,524
Lease liabilities		7,984	10,550
Total non-current liabilities		17,236	18,230
Net assets		1,176,565	1,124,239
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	147	147
Other reserves		1,176,418	1,124,092
Non-controlling interests		–	–
Total equity		1,176,565	1,124,239

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent											
	Shares held for the share		Share option		Share award		Exchange fluctuation		Statutory surplus		Retained profits	Total
	Share capital	award scheme	Share premium	reserve	reserve	Merger reserve	reserve	reserve	reserve	RMB'000	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note 17)	(Note 21)			(Note 21)							
At 1 January 2022 (audited)	147	-	1,102,722	28,080	-	(87,350)	(29,811)	33,091	77,360	1,124,239		
Profit for the period	-	-	-	-	-	-	-	-	-	52,355	52,355	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(22,380)	-	-	(22,380)	
Translation from functional currency to presentation currency	-	-	-	-	-	-	27,678	-	-	27,678		
Total comprehensive income for the period	-	-	-	-	-	-	5,298	-	52,355	57,653		
Shares purchased for the share award scheme	-	(6,820)	-	-	-	-	-	-	-	(6,820)		
Equity-settled share option arrangements	-	-	-	544	-	-	-	-	-	544		
Equity-settled share award arrangements	-	-	-	-	949	-	-	-	-	949		
Transfer to statutory reserve funds	-	-	-	-	-	-	-	351	(351)	-		
At 30 June 2022 (unaudited)	147	(6,820)*	1,102,722*	28,624*	949*	(87,350)*	(24,513)*	33,442*	129,364*	1,176,565		

\* These reserve accounts comprise the consolidated reserves of RMB1,176,418,000 (31 December 2021: RMB1,124,092,000) in the interim condensed consolidated statement of financial position.

# Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2022

	Attributable to owners of the parent							
	Share capital	Share premium	option reserve	Merger reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note17)							
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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	<b>67,952</b>	47,962
Adjustments for:		
Bank interest income	(1,509)	(259)
Income from financial assets measured at fair value through profit or loss	(3,205)	(3,501)
Finance costs	335	401
Depreciation of property, plant and equipment	<b>11,352</b>	12,953
Depreciation of right-of-use assets	<b>3,268</b>	3,666
Amortisation of intangible assets	130	131
Impairment of/(reversal of impairment of) trade and bills receivables	<b>1,115</b>	(3,752)
Loss on disposal of items of property, plant and equipment	7	3,056
Equity-settled share option expenses	<b>544</b>	2,014
Equity-settled share award expenses	<b>949</b>	–
Unrealised exchange loss	–	8
	<b>80,938</b>	62,679
Decrease in inventories	<b>9,450</b>	32,862
(Increase)/decrease in trade and bills receivables	(35,956)	30,019
Increase in prepayments, other receivables and other assets	(4,489)	(2,278)
Increase in amounts due from related parties	(162)	(509)
Decrease in restricted bank deposit	332	3
Decrease in trade payables	(8,195)	(6,305)
Decrease in other payables and accruals	(12,187)	(13,062)
Decrease in contract liabilities	(1,996)	(2,096)
Decrease in amounts due to related parties	(200)	–
Decrease in deferred income	(108)	–
Cash generated from operations	<b>27,427</b>	101,313
Interest received	<b>1,509</b>	259
Income tax paid	(3,170)	(4,688)
Net cash flows from operating activities	<b>25,766</b>	96,884

# Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Net cash flows from operating activities	<b>25,766</b>	96,884
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets measured at fair value through profit or loss	(309,200)	(104,000)
Proceeds from redemption of financial assets measured at fair value through profit or loss	<b>312,405</b>	128,286
Purchase of items of property, plant and equipment	(9,252)	(21,570)
Purchase of items of intangible assets	(228)	–
Proceeds from disposal of items of property, plant and equipment	–	35
Net cash flows (used in)/from investing activities	<b>(6,275)</b>	2,751
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(335)	(401)
Principal portion of lease payments	(3,091)	(2,520)
Share repurchased	(6,820)	–
Net cash flows used in financing activities	<b>(10,246)</b>	(2,921)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9,245</b>	96,714
Cash and cash equivalents at beginning of period	<b>646,015</b>	564,175
Effect of foreign exchange rate changes, net	<b>5,673</b>	(1,873)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>660,933</b>	659,016
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>660,933</b>	659,016

# **Notes to Interim Condensed Consolidated Financial Statements**

For the six months ended 30 June 2022

## **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 2022 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 2021.

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 2021, 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 2022

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

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

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

# **Notes to Interim Condensed Consolidated Financial Statements (Continued)**

For the six months ended 30 June 2022

## **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 2022 and 2021, 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 2022

## 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 2022 and 2021.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Revenue from contracts with customers</b>		
Sale of goods	<b>840,411</b>	753,899
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>840,411</b>	753,899
<b>Other income and gains</b>		
Government grants*	<b>2,946</b>	1,429
Bank interest income	<b>1,509</b>	259
Income from financial assets measured at fair value through profit or loss	<b>3,205</b>	3,501
Commission income from provision of a sales platform	<b>590</b>	911
Others	<b>700</b>	436
	<b>8,950</b>	6,536

\* 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 2022

## 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Cost of inventories sold	297,602	219,018
Depreciation of property, plant and equipment	11,352	12,953
Depreciation of right-of-use assets	3,268	3,666
Lease payments not included in the measurement of lease liabilities	1,403	1,802
Research and development costs*	2,728	1,836
Amortisation of intangible assets	130	131
Employee benefit expense (excluding directors' and chief executive's remuneration and research and development costs):		
Wages and salaries	66,432	73,406
Equity-settled share option expenses	1,587	1,404
Pension scheme contributions	6,502	8,047
Auditor's remuneration	783	396
Impairment of/(reversal of impairment of) trade and bills receivables**	1,115	(3,752)
Loss on disposal of items of property, plant and equipment	7	3,056
Income from financial assets measured at fair value through profit or loss	(3,205)	(3,501)
Finance costs	335	401
Bank interest income	(1,509)	(259)

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

\*\* Impairment of/(reversal of impairment of) trade and bills receivables is included in "(Impairment of)/reversal 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 2022

## 7. FINANCE COSTS

An analysis of finance costs from operations is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interests on lease liabilities	335	401

## 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 2021: 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 2021: 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 2021: 25%) on their taxable profits for the six months ended 30 June 2022 and 2021.

For the six months ended 30 June 2022 and 2021, 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 2022

## 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	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current – PRC		
Charge for the period	7,308	5,262
Deferred tax	8,289	4,668
Total tax charge for the period	15,597	9,930

## 9. INTERIM DIVIDENDS

The board of directors do not recommend any payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB35,016,000).

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

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

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

(Continued)

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

Earnings	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	52,355	38,032
<b>Shares</b>		
Shares	For the six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares in issue	2,188,514,000	2,188,514,000
Weighted average number of shares held for the share award scheme	(4,304,286)	–
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	2,184,209,714	2,188,514,000
Effect of dilution – weighted average number of ordinary shares: Share options	–	–
Share award	1,919,952	–
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	2,186,129,666	2,188,514,000

The share option had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share for the period ended 30 June 2022 and 2021.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a cost of RMB3,262,000 (six months ended 30 June 2021: RMB5,018,000), and incurred construction in progress at a cost of RMB140,000 (six months ended 30 June 2021: RMB16,536,000).

Assets with a net book value of RMB7,000 were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB3,091,000). The net loss on disposal of items of property, plant and equipment is included in note 6 to the financial statements.

During the six months ended 30 June 2022, no impairment loss was recognised (six months ended 30 June 2021: Nil).

## 12. INVENTORIES

	30 June 2022 <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 <b>RMB'000</b> <b>(Audited)</b>
Raw materials	<b>21,366</b>	21,727
Work in progress	<b>1,632</b>	3,420
Finished goods	<b>40,049</b>	46,393
Consumables	<b>8,852</b>	9,809
	<b>71,899</b>	81,349

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

## 13. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	<b>212,537</b>	174,008
Bills receivable	<b>4,783</b>	7,356
Impairment	<b>(5,888)</b>	(4,773)
	<b>211,432</b>	176,591

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	<b>206,371</b>	165,817
1 to 2 months	<b>2,519</b>	4,433
2 to 3 months	<b>1,459</b>	895
Over 3 months	<b>1,083</b>	5,446
	<b>211,432</b>	176,591

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

## 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments	<b>16,777</b>	16,946
Deposits	<b>5,285</b>	4,764
Value-added tax recoverable	<b>11,722</b>	15,800
Employee advances	<b>8,445</b>	7,252
Other receivables	<b>14,998</b>	7,977
Impairment allowance	<b>(3,228)</b>	(3,228)
	<b>53,999</b>	49,511

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 2022

## 15. CASH AND CASH EQUIVALENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	<b>660,933</b>	646,015
Restricted bank deposits	<b>556</b>	888
	<b>661,489</b>	646,903
Less: Restricted bank deposits	<b>(556)</b>	(888)
	<b>660,933</b>	646,015
Denominated in:		
–RMB	<b>542,342</b>	514,758
–HK\$	<b>119,147</b>	132,145
	<b>661,489</b>	646,903

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 2022

## 16. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 month	<b>38,999</b>	40,834
1 to 2 months	<b>8,946</b>	13,601
2 to 3 months	<b>1,323</b>	1,939
Over 3 months	<b>2,269</b>	3,358
	<b>51,537</b>	59,732

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

## 17. SHARE CAPITAL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid: 2,188,514,000 (2021: 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 2022

## 18. COMMITMENTS

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

	<b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Capital commitments	<b>5,724</b>	10,756

As at 30 June 2022 and 31 December 2021, the amounts of capital commitments were related to the purchase of property, plant and equipment.

## 19. 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>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	2021 RMB'000 (Unaudited)
Shenzhen Jingya Natural Food Science and Technology Co., Ltd. ("Shenzhen Jingya")	76	400
Pepsico Foods (China) Co., Ltd.	485	450
	<b>561</b>	850

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 2022 and 2021.

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 2022

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (b) Outstanding balances with related parties

#### (1) Amount due from related parties:

		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Shenzhen Jingya	(i)	<b>11,088</b>	11,004
Pepsico Foods (China) Co., Ltd.	(i)	<b>207</b>	137
Mr. Yang Zhuoya	(ii)	<b>6</b>	–
Mr. Zhang Zefei	(ii)	<b>2</b>	–
		<b>11,303</b>	11,141

#### (2) Amount due to related parties:

		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Shenzhen Jingya		<b>61</b>	260
Mr. Yang Zhuoya		–	1
		<b>61</b>	261

- (i) The balances of amounts due from related parties are unsecured, interest-free and repayable on demand. The balances as at 30 June 2022 and 31 December 2021 were trade in nature.
- (ii) Mr. Yang Zhuoya is the shareholder of the Group. 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.

# Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2022

## 19. RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short term employee benefits	<b>2,448</b>	1,572
Post-employment benefits	<b>52</b>	29
Equity-settled share option expense	<b>295</b>	610
	<b>2,795</b>	2,211

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.

## 20. SHARE OPTION SCHEME

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

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

Date of grant	Numbers of share options						Exercise price per share
	At 1 January 2022		Exercised during the period	Forfeited during the period	At 30 June 2022	Exercise period (both dates inclusive)	
(i)	12/06/2019	12,450,000	–	–	12,450,000	12/06/2020–11/12/2028	HK\$1.468
(ii)	12/06/2019	19,000,000	–	–	19,000,000	12/12/2019–11/12/2028	HK\$1.468
(iii)	12/06/2019	17,242,502	–	–	17,242,502	12/06/2019–11/12/2028	HK\$1.468
(iv)	12/06/2019	15,000,000	–	–	15,000,000	12/06/2020–11/12/2028	HK\$1.468
		63,692,502	–	–	63,692,502		

# **Notes to Interim Condensed Consolidated Financial Statements (Continued)**

For the six months ended 30 June 2022

## **20. SHARE OPTION SCHEME (Continued)**

The Group recognised share option expenses of RMB544,000 for the six months ended 30 June 2022.

As at 30 June 2022, the Company had 63,692,502 share options outstanding under the Share Option Scheme.

## **21. SHARE AWARD SCHEME**

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

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

During the period, the Company purchased 18,126,000 of its ordinary shares through the Trustee at price ranging from HK\$0.40 to HK\$0.50 per share at a total consideration of approximately HK\$7,975,000 (equivalent to approximately RMB6,820,000).

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

On 11 May 2022, the Company granted 18,800,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2022. The fair value of the granted shares is estimated using the Finnerty model (HK\$0.38) on the day of the grant, amounting to HK\$7,100,000 (equivalent to approximately RMB6,086,000).

The Group recognised a share award expense of RMB949,000 for the six months ended 30 June 2022.

# **Notes to Interim Condensed Consolidated Financial Statements (Continued)**

For the six months ended 30 June 2022

## **22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

As at 30 June 2022 and 31 December 2021, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

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

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

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

## **23. EVENTS AFTER THE REPORTING PERIOD**

The Group has no significant subsequent events after 30 June 2022 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 2022 were approved and authorised for issue by the board of directors of the Company on 29 August 2022.