



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

(Incorporated in Bermuda with limited liability)

Stock Code: 1262

## INTERIM 2023 REPORT





# CORPORATE INFORMATION

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Industrial Area,  
Jinjiang, Fujian,  
PRC

## PLACE OF BUSINESS IN HONG KONG

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

## PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited  
Stock code: 1262

## COMPANY WEBSITE

<http://www.lbxxgroup.com>

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

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Director

Li Hung Kong (*Vice-Chairman*)

### Independent Non-Executive Directors

Li Biao  
Guo Li  
Chung Yau Tong

## COMPANY SECRETARY

Chan Yee Lok

## AUTHORIZED REPRESENTATIVES

Zheng Yu Shuang  
Chan Yee Lok

## AUDIT COMMITTEE

Chung Yau Tong (*Chairman*)  
Li Biao  
Guo Li

## REMUNERATION COMMITTEE

Guo Li (*Chairman*)  
Zheng Yu Long  
Chung Yau Tong

## CORPORATE INFORMATION *(Continued)*

### NOMINATION COMMITTEE

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

### AUDITORS

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

### LEGAL ADVISOR

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

### PRINCIPAL SHARE REGISTRAR

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

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
17/F Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### PRINCIPAL BANKERS

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

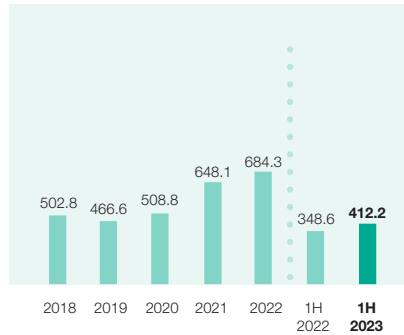
Ping An Bank Co., Ltd., Quanzhou Branch  
1/F, Jun Yi Building, 311 Fengze Street  
Quanzhou, Fujian  
PRC

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

# FINANCIAL HIGHLIGHTS

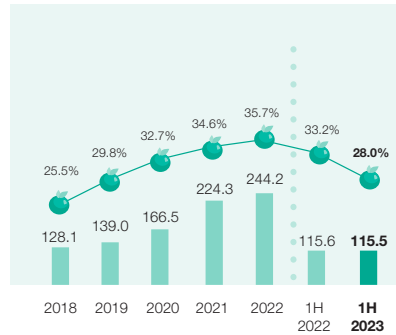
## Revenue

RMB'M



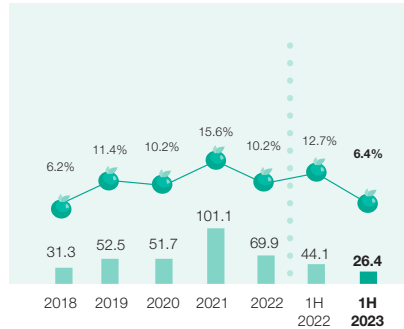
## Gross Profit

RMB'M



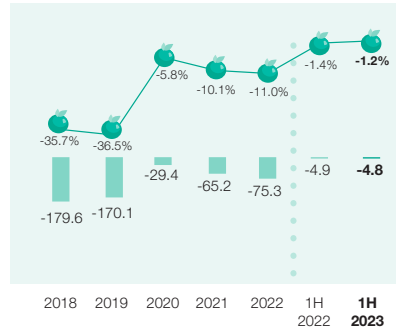
## EBITDA (Note)

RMB'M



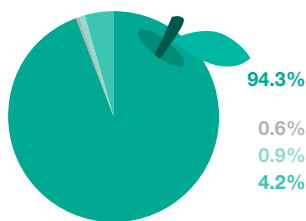
## Net Profit/(Loss)

RMB'M

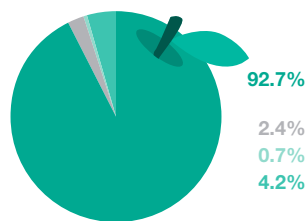


## Revenue by Products

1H2023



1H2022

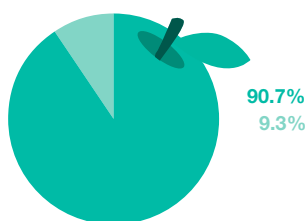


### Revenue by Products

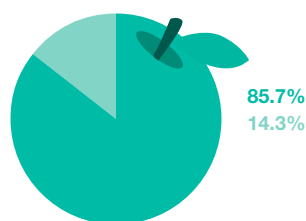
- Jelly Products
- Confectionary Products
- Beverage Products
- Other Snacks Products

## Revenue by Locations of End Customers

1H2023



1H2022



### Revenue by Distribution Channels

- Wholesale Distributors
- Overseas

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2023, the Group has reported revenue of RMB412.2 million, representing an increase of approximately 18.2% as compared with the corresponding period of last year mainly due to increase in sales of jelly products by 20.2%. In the past few years, the Group had put immense efforts in expanding its new retail, e-commerce, social media and society distribution channels (collectively the “**New Sales Channels**”). The expansion of these New Sales Channels started to pay off during the year ended 31 December 2022 and continued to boost the sales of our jelly products in the six months ended 30 June 2023. During the six months ended 30 June 2023, the consumer sentiment in the PRC continued to recover from the hit by the Novel Coronavirus (“**COVID-19**”) outbreak. The Group’s sales was positively affected by the gradual recovery of the consumer sentiment and resulted in the increase in sales for the six months ended 30 June 2023 as compared with the corresponding period in year 2022. In addition, after 2023 Lunar New Year, the Group had sold its festive jelly and confectionary products at extra discounts to distributors with a view to clearing up the unsold inventories. While this measure increased the sales of jelly and confectionary products and improved the liquidity of the Group, it also hurt the gross profit margin of the jelly and confectionary products. Furthermore, during the six months ended 30 June 2023, the Group was also negatively affected by the global inflation of raw materials and the increase in production costs e.g. the payroll of production staff. Although the Group had tried its best to pass the inflation pressure onto its customers, the significant inflation of the raw materials and production costs had caused negative impact on the gross profit margin of the Group.

For the six months ended 30 June 2023, the Group recorded a net loss of RMB4.8 million (30 June 2022: RMB4.9 million). The main reasons for the Group’s net loss during the six months ended 30 June 2023 was mainly due to the Group had increased the advertising and promotion expenses by RMB9.8 million during the six months ended 30 June 2023 as compare with the corresponding period in year 2022 mainly to promote its new jelly products.

## Revenue

Revenue increased by approximately 18.2% to RMB412.2 million in the first half of year 2023 when compared with the same period in year 2022. During the period under review, the Group’s sales performance has been positively impacted by the recovery of consumer sentiments of the PRC. In addition, after 2023 Lunar New Year, the Group had sold its festive jelly and confectionary products at extra discounts to distributors with a view to clearing up the unsold inventories. Both of these factors lead to the increase in sales for the six months ended 30 June 2023 as compared with the corresponding period in year 2022.

During the period under review, the Group has continued to exert immense efforts in developing its distribution network. As at 30 June 2023, the Group had a total number of 634 distributors (30 June 2022: 930).

## Jelly products

Revenue of jelly products increased by approximately 20.2% from RMB323.2 million in the first half of year 2022 to RMB388.6 million in the first half of year 2023 due to the reasons explained above. During the six months ended 30 June 2023, revenue attributable to jelly snacks increased by approximately 14.2% to RMB202.2 million while sales attributable to jelly beverages increased by approximately 27.5% to RMB186.4 million.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Confectionary products

Revenue of confectionary products increased by approximately 18.1% from RMB14.7 million in the first half of year 2022 to RMB17.4 million in the first half of year 2023. The increase in revenue of confectionary products was mainly due to the Group had sold the festive confectionary products to the distributors at extra discounts after the 2023 Lunar New Year to clear up the unsold inventories.

### Beverages products

The beverages market in the PRC remained highly competitive and was dominated by several major brands. Revenue of beverages products of the Group increased by approximately 43.6% to RMB3.6 million in the first half of year 2023 mainly due to increase in sales of dairy beverages products.

### Other snacks products

Revenue of other snacks products decreased by approximately 67.5% to RMB2.7 million, mainly due to the Group did not launch new products in this category in the six months ended 30 June 2023 as the contribution of these products is minimal to the Group.

### Cost of Sales and Gross Profit

Cost of sales increased by approximately 27.3% to RMB296.7 million in the first half of year 2023, mainly attributable to the corresponding increase in sales. The gross profit decreased by approximately 0.1% to RMB115.5 million in the first half of year 2023. The gross profit margin decreased from 33.2% in the first half of year 2022 to 28.0% in the first half of year 2023 mainly due to increase in costs of raw materials and production staff.

### Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 23.8% to RMB70.8 million in the first half of year 2023 primarily due to increase in advertising and promotion expenses by approximately 28.4% to RMB44.3 million during the period under review to promote its new retail, e-commerce, social media and society distribution channels.

### Administrative Expenses

Administrative expenses decreased by approximately 2.3% to RMB42.0 million in the first half of year 2023 as compared with the same period in year 2022. This was mainly due to tighter cost control on administrative expenses by management during the period under review.

### Income Tax Expense

During the six months ended 30 June 2023, the Group did not have any assessable income in Bermuda, BVI and Hong Kong. The subsidiaries in the PRC are subject to income tax rate of 25% on their taxable profit during the period. The income tax credit during the period under review was primarily due to the movements in deferred tax assets.

### Net Loss for the Period

For the six months ended 30 June 2023, the Group recorded a net loss of RMB4.8 million (30 June 2022: RMB4.9 million). The main reasons for the Group's net loss during the six months ended 30 June 2023 was mainly due to the Group had increased the advertising and promotion expenses by RMB9.8 million during the six months ended 30 June 2023 as compare with the corresponding period in year 2022 mainly to promote its new jelly products.

# MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

## FINANCIAL REVIEW

### Financial resources and liquidity

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

As at 30 June 2023, the bank balances and bank deposits amounted to RMB66.8 million which is RMB5.1 million less than the balance as at 31 December 2022. The decrease in bank balances and bank deposits was mainly due to decrease in bank borrowings of RMB21.1 million and the payment of interest expenses of RMB11.9 million during the six months ended 30 June 2023.

As at 30 June 2023, the Group's gearing ratio (total borrowings divided by total equity) was 153.2% (As at 31 December 2022: 156.6%). The Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The Group will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

### Cash flow

The Group recorded net cash inflow from operating activities of RMB56.3 million in the first half of year 2023 (2022: net cash outflow of RMB37.9 million) which is significantly improved from the same period in last year. The significant improvement in operating cash flow for the period under review was mainly due to improvement in collection of trade receivables and increase in trade and other payables. The Group has spent RMB31.0 million in investing activities in the first half of year 2023 mainly for the upgrade of production lines of the production plants. The Group has net cash outflow from financing activities of RMB30.4 million in the first half of year 2023 mainly due to the Group has repaid approximately RMB21.1 million bank borrowings and paid interest expenses of RMB11.9 million during the period under review.

### Capital expenditure

During the six months ended 30 June 2023, the Group incurred RMB20.4 million in capital expenditure mainly for the upgrade of production lines of the production plants.

### Inventory analysis

The Group's inventories primarily consist of finished goods of jelly products, confectionary products, beverage products and other snacks products, as well as raw materials and packaging materials. As at 30 June 2023, the balance of inventory has no significant change from the beginning of the year. The inventories turnover days for the first half of year 2023 and year 2022 were 49 days and 61 days, respectively.

### Trade receivables

Trade receivables mainly represent the balance due from wholesale distributors. The Group typically sells its products on credit and grant 180 days credit to most of the wholesale distributors. Balance decreased by RMB7.2 million from the beginning of the year. The trade receivables turnover days for the first half of year 2023 and year 2022 were 141 days and 194 days, respectively. Subsequent to the period end and up to the date of this interim report, approximately RMB133.9 million of the trade receivables were settled by the wholesale distributors.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Trade payables

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

Trade payables turnover days for the six months ended 30 June 2023 and 2022 were 36 days and 25 days respectively.

### Foreign exchange fluctuations

The Group earns revenue and incur costs and expenses mainly in Renminbi. The Group is exposed to certain foreign exchange fluctuations arising mainly from the exposure of Renminbi against Hong Kong dollar and US dollar. During the six months ended 30 June 2023, the Group did not enter into forward contracts to hedge the foreign exchange exposures as the Directors considered the financial benefits of such forward contracts may not outweigh their costs.

### Charges on assets

As at 30 June 2023, land use rights and buildings of the Group with carrying values of RMB88,040,000 (31 December 2022: RMB89,280,000) and RMB97,937,000 (31 December 2022: RMB107,195,000) respectively, were pledged to banks as securities for banking facilities granted to the Group.

### Contingent liabilities

As at 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

### DIVIDENDS

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

### PROSPECT

At the end of year 2022, the PRC government announced to uplift quarantine requirements for locals in December 2022 and international arrivals starting from 8 January 2023, which marked a significant move in returning to normalcy. This important move had boosted the consumer sentiment in the PRC and the market demand for the Group's snack products had increased during the six months ended 30 June 2023.

The Directors considered that the PRC economy and snacks industry will continue to rebound in the second half of year 2023 and onwards. The Directors considered that a steady and healthy recovery of PRC's economy and our business may happen in the short to medium term. To build a solid foundation for mid-to-long term growth, the Group will continue committing to (i) take proactive steps in marketing its brand image and products in year 2023 and onwards, (ii) launch new snacks products from time to time to offer better choices to the consumers and (iii) restructure and consolidating its production facilities to enhance its production and logistic efficiency. The Directors believe that these measures will bring positive impacts to the Group's financial performance in the longer run.

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

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	5	412,182	348,603
Cost of sales		(296,710)	(232,997)
Gross profit		115,472	115,606
Other income	6	4,896	8,260
Other gain/(loss), net	7	27	(21,093)
(Allowance)/reversal of allowance for expected credit losses, net		(1,190)	6,549
Selling and distribution expenses		(70,754)	(57,147)
Administrative expenses		(42,020)	(43,031)
Operating profit		6,431	9,144
Finance income		73	38
Finance costs		(12,297)	(14,593)
Finance costs, net	8	(12,224)	(14,555)
Loss before taxation	9	(5,793)	(5,411)
Taxation	10	961	534
Loss and total comprehensive loss for the period		(4,832)	(4,877)
<b>Loss per share attributable to equity holders of the Company</b> (RMB per share)	11		
– Basic		(0.004)	(0.004)
– Diluted		(0.004)	(0.004)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	13	88,040	89,280
Property, plant and equipment	13	259,911	248,183
Deposits for property, plant and equipment		6,247	15,198
Deferred tax assets		961	–
		<b>355,159</b>	352,661
<b>Current assets</b>			
Inventories		75,415	75,382
Trade receivables	14	314,640	321,876
Prepayments and other receivables		151,371	155,516
Pledged bank deposits		10,720	–
Cash and cash equivalents		66,781	71,876
		<b>618,927</b>	624,650
<b>Total assets</b>		<b>974,086</b>	977,311

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		470,030	470,030
Reserves		(147,550)	(142,718)
<b>Total equity</b>		<b>322,480</b>	327,312
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred tax liabilities		15,846	15,846
		15,846	15,846
<b>Current liabilities</b>			
Trade and other payables	15	186,220	163,513
Bank borrowings	16	449,540	470,640
		635,760	634,153
<b>Total liabilities</b>		<b>651,606</b>	649,999
<b>Total equity and liabilities</b>		<b>974,086</b>	977,311
<b>Net current liabilities</b>		<b>(16,833)</b>	(9,503)
<b>Total assets less current liabilities</b>		<b>338,326</b>	343,158

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>Balance as at 1 January 2023</b>	<b>470,030</b>	<b>615,656</b>	<b>(87,600)</b>	<b>184,506</b>	<b>(41)</b>	<b>(855,239)</b>	<b>327,312</b>
Loss and total comprehensive loss for the period	-	-	-	-	-	(4,832)	(4,832)
<b>Balance as at 30 June 2023</b>	<b>470,030</b>	<b>615,656</b>	<b>(87,600)</b>	<b>184,506</b>	<b>(41)</b>	<b>(860,071)</b>	<b>322,480</b>
Balance as at 1 January 2022	470,030	615,656	(87,600)	184,506	(41)	(779,911)	402,640
Loss and total comprehensive loss for the period	-	-	-	-	-	(4,877)	(4,877)
<b>Balance as at 30 June 2022</b>	<b>470,030</b>	<b>615,656</b>	<b>(87,600)</b>	<b>184,506</b>	<b>(41)</b>	<b>(784,788)</b>	<b>397,763</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	56,275	(37,941)
Income tax paid	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>56,275</b>	<b>(37,941)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(20,363)	(1,720)
Proceeds from disposal of the assets classified as held for sale	-	36,000
Refund of deposits of right-of-use assets	-	40,000
Increase in pledged bank deposits	(10,720)	-
Interest received	72	38
<b>Net cash (used in)/generated from investing activities</b>	<b>(31,011)</b>	<b>74,318</b>
<b>Cash flows from financing activities</b>		
Proceeds from shareholder's loan	2,605	3,262
Proceeds from borrowings	-	45,000
Repayments of borrowings	(21,100)	(63,319)
Interest paid	(11,864)	(14,209)
<b>Net cash used in financing activities</b>	<b>(30,359)</b>	<b>(29,266)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,095)</b>	<b>7,111</b>
Cash and cash equivalents at the beginning of the period	71,876	80,567
<b>Cash and cash equivalents at the end of the period</b>	<b>66,781</b>	<b>87,678</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

## 1 GENERAL INFORMATION

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

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

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

## 2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

The Group incurred a net loss of approximately RMB4,832,000 (six months ended 30 June 2022: approximately RMB4,877,000) for the six months ended 30 June 2023. As at 30 June 2023, the Group’s current liabilities exceeded its current assets by approximately RMB16,833,000 (As at 31 December 2022: approximately RMB9,503,000).

The directors of the Company have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of twelve months from 30 June 2023. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

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

### (1) *Financial support from substantial shareholder*

Mr. Zheng Yu Long, the substantial shareholder of the Company who have already provided the aggregate amount of approximately RMB44,403,000 loan from a loan facility of RMB60,000,000 to the Group, have agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 30 June 2023.

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

### 2 BASIS OF PREPARATION *(Continued)*

#### ***(2) Alternative sources of external funding***

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

#### ***(3) Cost control measurements***

The Group has taken measures to tighten cost controls over production costs and expenses with the aim of attaining profitable and positive cash flow operations.

#### ***(4) Business reorganisation***

The Group may consider to dispose non-core business and/or financial assets if required.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. The effect of these adjustments has not been reflected in the condensed consolidated interim financial information.

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2022.

### 3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised IFRSs for the first time for the current period's financial information.

Amendments to IAS 1 and  
IFRS Practice Statement 2

Disclosure of Accounting Policies

Amendments to IAS 8

Definition of Accounting Estimates

Amendments to IAS 12

Deferred Tax related to Assets and Liabilities arising from a Single Transaction



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

### 3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

The nature and impact of the new and revised IFRSs are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's condensed consolidated interim financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are not expected to have any significant impact on the Group's financial statements.

### 4 FINANCIAL RISK MANAGEMENT

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

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

### 5 SEGMENT INFORMATION

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

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

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

### 5 SEGMENT INFORMATION (Continued)

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

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

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

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

#### Geographical information

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

During the six months ended 30 June 2023 and 2022, none of the individual customer account for 10% or more of the Group's external revenue. As at 30 June 2023 and 31 December 2022, majority of the Group's assets, liabilities and capital expenditure were located or utilised in the PRC.

#### Segment revenue and results

	Unaudited Six months ended 30 June 2023				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
<b>Revenue</b>					
Sales to external customers	388,574	17,380	3,553	2,675	412,182
Cost of sales	(275,407)	(14,850)	(4,854)	(1,599)	(296,710)
Gross profit/(loss)	113,167	2,530	(1,301)	1,076	115,472
<b>Results of reportable segments</b>	<b>46,383</b>	<b>(382)</b>	<b>(1,913)</b>	<b>630</b>	<b>44,718</b>

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

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

## 5 SEGMENT INFORMATION (Continued)

## Segment revenue and results (Continued)

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

	Unaudited Six months ended 30 June 2023				
	Jelly products RMB'000	Confectionary products RMB'000	Beverages products RMB'000	Other snacks products RMB'000	Reportable segments total RMB'000
<b>Results of reportable segments</b>					44,718
Corporate income					4,923
Corporate expenses					(43,210)
<b>Operating profit</b>					6,431
Finance income					73
Finance costs					(12,297)
<b>Loss before taxation</b>					(5,793)
Taxation					961
<b>Loss for the period</b>					(4,832)
Amounts included in the measure of segment profit or loss:					
Capital expenditure	16,839	-	3,524	-	20,363
Depreciation of right-of-use assets	772	-	468	-	1,240
Depreciation of property, plant and equipment	17,321	-	169	21	17,511
Allowance for expected credit losses on trade receivables	1,122	50	10	8	1,190

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

## 5 SEGMENT INFORMATION (Continued)

## Segment revenue and results (Continued)

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

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

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

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

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

## 6 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Rental income	1,450	1,935
Government subsidy	386	1,722
Sundry income	2,760	4,589
Gain on sale of scrap materials	300	14
	<b>4,896</b>	<b>8,260</b>

## 7 OTHER GAIN/(LOSS), NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Loss on disposal of asset classified as held for sale	–	(20,923)
Net exchange gain/(loss)	27	(170)
	<b>27</b>	<b>(21,093)</b>

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

## 8 FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Finance costs:</b>		
Interest expenses on bank borrowings	(11,864)	(14,209)
Interest expenses on loan from a director	(433)	(384)
Total finance costs	(12,297)	(14,593)
<b>Finance income:</b>		
Interest income on bank deposits	73	38
Total finance income	73	38
Finance costs, net	(12,224)	(14,555)

## 9 LOSS BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cost of inventory sold	235,692	180,359
Advertising and promotion expenses	44,312	34,522
Freight and transportation expenses	2,600	4,427
Staff cost (including directors' remunerations)		
– Salaries and bonuses	61,257	48,037
– Employer's contribution to defined contribution plans	2,636	2,278
Depreciation of property, plant and equipment	17,511	19,331
Depreciation of right-of-use assets	1,240	1,240
Allowance/(reversal of allowance) for expected credit losses, net	1,190	(6,549)
Loss on disposal of asset classified as held for sale	–	20,923

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

## 10 TAXATION

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax – PRC Enterprise Income Tax	–	–
Deferred tax, net	(961)	(534)
	(961)	(534)

**Hong Kong Profits Tax, Bermuda and BVI income tax**

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

No provision of Hong Kong Profits Tax, Bermuda and BVI Income Tax has been made, as the Group did not generate any assessable profits in these jurisdictions during the six months ended 30 June 2023 and 2022.

**PRC Enterprise Income Tax**

PRC Enterprise Income Tax has been provided at rate of 25% (2022: 25%) on taxable profit of the Group's PRC subsidiaries during the six months ended 30 June 2023.

## 11 LOSS PER SHARE

**(a) Basic loss per share**

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
Net loss attributable to the equity holders of Company (RMB'000)	(4,832)	(4,877)
Weighted average number of ordinary shares in issue for basic loss per share ('000)	1,328,977	1,328,977
Basic loss per share (RMB per share)	(0.004)	(0.004)

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

**11 LOSS PER SHARE** (Continued)**(b) Diluted loss per share**

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

**12 DIVIDENDS**

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

**13 CAPITAL EXPENDITURE**

	<b>Right-of-use assets RMB'000</b>	<b>Unaudited Property, plant and equipment RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 30 June 2023</b>			
<b>Cost</b>			
As at 1 January 2023	123,938	1,565,043	1,688,981
Additions	–	29,239	29,239
As at 30 June 2023	123,938	1,594,282	1,718,220
<b>Accumulated depreciation</b>			
As at 1 January 2023	34,658	1,316,860	1,351,518
Depreciation	1,240	17,511	18,751
As at 30 June 2023	35,898	1,334,371	1,370,269
<b>Net book value</b>			
As at 30 June 2023	88,040	259,911	347,951

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

As at 30 June 2023, buildings of the Group in the PRC with net book value of approximately RMB97,937,000 (31 December 2022: approximately RMB107,195,000) and land use rights in the PRC of approximately RMB88,040,000 (31 December 2022: approximately RMB89,280,000) were pledged as security for bank borrowings.



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

## 13 CAPITAL EXPENDITURE (Continued)

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

## 14 TRADE RECEIVABLES

For the six months ended 30 June 2023, the Group's revenue are generally on credit term of 180 days (2022: 180 days). As at 30 June 2023 and 31 December 2022, the ageing analysis of trade receivables, based on invoice date, and net of allowance for expected credit losses, is as follows:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Less than 30 days	57,139	63,121
31 days – 90 days	101,513	68,586
91 days – 180 days	73,678	108,093
Over 180 days	82,310	82,076
	314,640	321,876

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

## 15 TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b>	Audited 31 December 2022 RMB'000
Trade payables	<b>32,385</b>	27,912
Bills payable (Note (i))	<b>13,610</b>	–
Accrued expenses	<b>14,015</b>	8,759
Directors' fees and emoluments payable	<b>21,681</b>	20,612
Loan from a director (Note (ii))	<b>44,403</b>	41,798
Other payables and sundry creditors (Note (iii))	<b>60,126</b>	64,432
	<b>186,220</b>	163,513

Notes:

- (i) As at 30 June 2023, bills payable amounting to approximately RMB13,610,000 were secured by pledged bank deposits of approximately RMB10,720,000. The bills payable were with maturity period within 1 year.
- (ii) As at 30 June 2023, the Company has drawn down an aggregate amount of approximately RMB44,403,000 (31 December 2022: RMB41,798,000) from a loan facility of RMB60,000,000 (31 December 2022: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.
- (iii) As at 30 June 2023, other payables included interest payable of approximately RMB4,518,000 (31 December 2022: RMB4,085,000) due to a director.

The credit periods granted by suppliers generally range from 30 to 60 days (2022: 30 to 60 days). As at 30 June 2023, the ageing analysis of trade payables based on invoice date is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b>	Audited 31 December 2022 RMB'000
Less than 30 days	<b>16,285</b>	19,092
31 days – 90 days	<b>14,106</b>	7,250
Over 90 days	<b>1,994</b>	1,570
	<b>32,385</b>	27,912

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

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

## 16 BANK BORROWINGS

	<b>Unaudited 30 June 2023 RMB'000</b>	Audited 31 December 2022 RMB'000
Secured bank borrowings	<b>449,540</b>	470,640
Unsecured bank borrowings	-	-
<b>Total bank borrowings</b>	<b>449,540</b>	470,640
Carrying amount of bank borrowings wholly repayable:		
On demand or within 1 year	<b>449,540</b>	470,640

## 17 COMMITMENTS

As at 30 June 2023, the Group had no material capital commitments (30 June 2022: Nil).

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

**18 MATERIAL RELATED PARTY TRANSACTIONS**

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

**(a) Key management personnel compensation**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Directors' fee	<b>318</b>	294
Salaries and other employee benefits	<b>1,867</b>	1,831
	<b>2,185</b>	2,125

**(b) Loan from a director**

As at 30 June 2023, the Company has drawn down an aggregate amount of approximately RMB44,403,000 (31 December 2022: RMB41,798,000) from a loan facility of RMB60,000,000 (31 December 2022: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

**(c) Personal guarantee provided by directors**

Mr. Zheng Yu Shuang, Mr. Zheng Yu Long and Mr. Zheng Yu Huan, directors of the Company, have provided personal guarantee to bank borrowings of the Group of approximately RMB408,590,000 (31 December 2022: RMB311,690,000). The bank borrowings are repayable within one year.

**19 EVENT AFTER THE REPORTING PERIOD**

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

## OTHER INFORMATION

### SHARE OPTION SCHEMES

On 23 June 2021 (the “**Adoption Date**”), the Company conditionally adopted a new share option scheme (the “**New Share Option Scheme**”) whereby the Board can grant options for the subscription of Shares to any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Company or any of its subsidiaries; and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board will contribute or have contributed to the Company and/or any of its subsidiaries (the “**Eligible Participants**”) and to provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

To be an Eligible Participant, the overriding principle is that the person must have contributed or will contribute to the Group. The terms of the New Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules, which governs the terms of the share option schemes of listed companies and their subsidiaries. The maximum number of Shares that can be issued according to the New Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the Shares in issue as at the date of the adoption of the New Share Option Scheme (i.e. 132,897,700 Shares), representing 10% of the issued share capital of the Company as at the date of this interim report.

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

The New Share Option Scheme shall take effect from the Adoption Date and shall remain effective within a period of 10 years from the Adoption Date. As at the date of this interim report, the remaining life of the New Share Option Scheme is approximately 7 years and 11 months.

As at the date of this interim report, no options have been granted under the New Share Option Scheme, while the number of options available for grant under the New Share Option Scheme as at 1 January 2023 and 30 June 2023 was 132,897,700.

## OTHER INFORMATION *(Continued)*

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

As at 30 June 2023, the interest and short positions of the Directors and the chief executives and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the “Model Code”), are as follows:

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

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

Note:

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

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

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

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

Save as disclosed above, as at 30 June 2023, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2023, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

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

Notes:

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

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2023.

## OTHER INFORMATION *(Continued)*

### CONNECTED TRANSACTION

As at 30 June 2023, the Company has drawn down an aggregate amount of approximately RMB44,403,000 (31 December 2022: RMB41,798,000) from a loan facility of RMB60,000,000 (31 December 2022: RMB60,000,000) entered into with Mr. Zheng Yu Long, an executive director of the Company. The amount is unsecured, repayable within 12 months and bears fixed interest at 2% per annum.

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

### EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2023, the Group had approximately 1,300 employees and total remuneration expenses for the six months ended 30 June 2023 amounted to RMB63.9 million. The employees' salaries are reviewed and adjusted annually based on employee's performance and experience. The Group's employee benefits include performance bonus, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and education subsidy to encourage continuous professional development of staff.

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

There was no significant investments, material acquisition and disposal of subsidiaries and associated companies during the period ended 30 June 2023. Further, there was no plan authorised by the Board for other material investments or additional capital assets as at the date of this interim report.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased or, sold any of the Company's securities during the period under review.

### AUDIT COMMITTEE

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

The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2023.

### CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2023, the Board is of the view that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set forth therein the CG Code.



## OTHER INFORMATION *(Continued)*

### **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. The Company has made specific enquiries with all directors of the Company and all the directors of the Company have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the six months ended 30 June 2023.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float throughout the period for the six months ended 30 June 2023.