

Jiujiuwang Food International Limited 久久王食品国际有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1927



INTERIM REPORT
2021

CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	27
Condensed Consolidated Statement of Financial Position	28
Condensed Consolidated Statement of Changes in Equity	30
Condensed Consolidated Statement of Cash Flows	31
Notes to the Condensed Consolidated Financial Statements	32



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Zhenzhong (*Chairman and chief executive officer*)
Mr. Zheng Guosi
Mr. Chen Kan

Independent non-executive Directors

Mr. Wang Linan
Mr. Wu Shiming
Mr. Chen Congming

AUTHORISED REPRESENTATIVES

Mr. Chen Kan
Mr. Ng Shing Kin (*member of HKICPA*)
(*appointed on 1 June 2021*)
Mr. Ng Kin Sun (*member of HKICPA*)
(*resigned on 1 June 2021*)

COMPANY SECRETARY

Mr. Ng Shing Kin (*member of HKICPA*)
(*appointed on 1 June 2021*)
Mr. Ng Kin Sun (*member of HKICPA*)
(*resigned on 1 June 2021*)

AUDIT COMMITTEE MEMBERS

Mr. Wu Shiming (*Chairman*)
Mr. Wang Linan
Mr. Chen Congming

REMUNERATION COMMITTEE MEMBERS

Mr. Wang Linan (*Chairman*)
Mr. Zheng Zhenzhong
Mr. Chen Congming

NOMINATION COMMITTEE MEMBERS

Mr. Zheng Zhenzhong (*Chairman*)
Mr. Chen Congming
Mr. Wang Linan

PRINCIPAL SHARE REGISTRAR

Ogier Global (Cayman) Limited
89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

LEGAL ADVISER TO THE COMPANY

As to Hong Kong law
Ince & Co
Suites 4404–10, 44th Floor
One Island East, 18 Westlands Road
Taikoo Place, Hong Kong

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central, Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31th, Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong SAR

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Everbright Bank Co., Ltd.
Quanzhou Jinjiang sub-branch
1/F, Aipai Centre, Quan'an Road
Quetang Community, Luoshan Street
Jinjiang City, Fujian Province, PRC

Industrial Bank Co., Ltd.
Jinjiang sub-branch
Industrial Bank Building
No. 271 Chongde Road
Jinjiang City, Fujian Province, PRC

PingAn Bank Co., Ltd.
Quanzhou Jinjiang sub-branch
1/F, Baolong Hotel
No. 1558, Quan'an Central Road
Jinjiang City, Fujian Province, PRC

HEADQUARTERS

No. 398 Ping An East Road
Xukeng Industrial Zone
Luoshan Street, Jinjiang City
Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4401–10, 44/F, One Island East
18 Westlands Road, Taikoo Place
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

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

COMPANY WEBSITE

www.jiujiuwang.com

STOCK CODE

1927

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a confectionary products manufacturer in the People's Republic of China (the "PRC"). We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC. We own and operate our production facilities for manufacture of our confectionary products with a view to control our product quality, production costs and production schedule directly. Our factory is located in Jinjiang City, Fujian Province with a large site area, with number of production lines to produce a large number of tones of our products.

During the six months ended 30 June 2021, the Group recorded a profit of approximately RMB9.4 million as compared to a profit of approximately RMB15.7 million for the corresponding period in 2020. The decrease was mainly due to the net effect of (i) the increase in expenses of listing (the "**Listing**") on the Stock Exchange on 16 March 2021 of approximately RMB15.3 million and (ii) the increase in gross profit of approximately RMB10.3 million, which was in line with the increase in revenue for the same period.

Since the outbreak of the epidemic caused by the COVID-19, major cities in the PRC have taken emergency public health measures. Our Group has implemented various measures in response to the COVID-19 epidemic. Looking forward, we will endeavor to strengthen the development of our existing business and to provide steady return as well as growth prospect for the Shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 12.1% from approximately RMB169.9 million for the six months ended 30 June 2020 to approximately RMB190.4 million for the six months ended 30 June 2021. The increase in revenue was mainly attributable to (i) the increase in OEM products as a result of the increase in our sales of the confectionary products to Gary & Bros Confectionary; and (ii) the increase in the sales volume of the products under Coolsa brand.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

The Group's cost of sales mainly comprised of (i) direct materials costs; (ii) production costs; and (iii) direct labour costs. For the six months ended 30 June 2021 and 2020, the cost of sales amounted to approximately RMB129.0 million and RMB118.8 million, respectively, representing an increase of approximately 8.6%, which was in line with the increase in revenue for the same period.

Gross profit

The Group's gross profit, which is equal to the revenue minus cost of sales, for the six months ended 30 June 2021 was approximately RMB61.4 million, representing an increase of approximately 20.2% from approximately RMB51.1 million for the six months ended 30 June 2020. The increase in gross profit was in line with the increase in revenue for the same period. The Group's gross profit margin amounted to approximately 32.2% and 30.0% for the six months ended 30 June 2021 and 2020, respectively.

Other income and gain, net

The Group's other income and gain, net increased from approximately RMB0.4 million for the six months ended 30 June 2020 to approximately RMB0.8 million for the six months ended 30 June 2021. The increase in other income and gain, net was mainly due to the increase in government grant.

Selling expenses

The Group's selling expenses mainly comprised of marketing and promotion expenses, staff costs, travelling expenses, and office expenses and others. The Group's selling expenses increased from approximately RMB13.8 million for the six months ended 30 June 2020 to approximately RMB15.2 million for the six months ended 30 June 2021. The increase in selling expenses was mainly due to the increase in marketing and promotion activities to our products during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The Group's administrative expenses mainly comprised of depreciation and amortisation expenses, taxes and stamp duty, staff costs, Listing expenses and office expenses. The Group's administrative expenses increased from approximately RMB9.0 million for the six months ended 30 June 2020 to approximately RMB22.9 million for the six months ended 30 June 2021, representing an increase of approximately 154.4%. The increase in administrative expenses was mainly attributable to the increase of Listing expenses from approximately RMB0.6 million for the six months ended 30 June 2020 to approximately RMB15.9 million for the six months ended 30 June 2021.

Income tax expenses

The Group's income tax expenses were approximately RMB5.9 million and RMB8.5 million for the six months ended 30 June 2020 and 2021, respectively. The increase was mainly due to the increase in taxable profit, after excluding non-deductible Listing expense for the six months ended 30 June 2021.

Finance costs

The Group's finance costs decreased from approximately RMB7.1 million for the six months ended 30 June 2020 to approximately RMB6.3 million for the six months ended 30 June 2021. The decrease in finance costs was mainly attributable to lower average amount of bank borrowing during the period.

Profit

The Group recorded a profit of approximately RMB9.4 million for the six months ended 30 June 2021 as compared to a profit of approximately RMB15.7 million for the corresponding period in 2020. The decrease was mainly due to the net effect of (i) the increase in Listing expenses of approximately RMB15.3 million during the period; and (ii) the increase in gross profit of approximately RMB10.3 million, which was in line with the increase in revenue for the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds

The net proceeds (the “**Net Proceeds**”) from the Listing, after deducting the underwriting fees and commissions and estimated expenses paid by the Company in connection thereto, were approximately HK\$75.7 million. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The Net Proceeds as at 30 June 2021 were used as follows:

	Allocation of the IPO Proceeds	Utilised IPO Proceeds as at 30 June 2021	Unutilised IPO Proceeds as at 30 June 2021	Expected timeline for utilising the remaining unused Net Proceeds <i>(Note)</i>
	HK\$ million	HK\$ million	HK\$ million	
Expansion of production capacities	40.3	8.1	32.2	December 2023
Replacement of machines in existing production lines	20.1	20.1	–	N/A
Partial repayment of bank loans	6.3	–	6.3	December 2021
Enhancement of marketing efforts	6.7	4.7	2.0	August 2021
General working capital	2.3	2.3	–	N/A
	75.7	35.2	40.5	

Notes:

- (a) The unused proceeds are deposited in a licensed bank in PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations:

1. Substantial amount of our revenue from OEM customers was derived from a few major OEM customers.
2. The Group relies on our third party distributors for the sale of our owned-branded products to their respective subdistributors and retailers. Termination of or failure to renew our distribution agreements with our third party distributors, may significantly decrease the sale of our owned-branded products.
3. The Group's business may be negatively affected if our third party distributors fail to comply with our distribution policies and if our third party distributors fail to perform as expected.
4. The Group generally does not enter into long term contracts nor contracts with minimum purchase requirement with our customers.
5. Unfavourable fluctuations in price, availability and quality of raw materials could cause material production delays and materially increase our costs of sales.
6. The outbreak of the COVID-19, may cause damage to its economy and as a result may adversely affect our business, results of operations and financial performance.
7. The Group's business is susceptible to food-borne illness claims and product liability claims, which may increase the likelihood of reputational risk.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the prospectus of the Group dated 26 February 2021 (the "Prospectus"), the Group did not have other plans for material investments and capital assets as at 30 June 2021.

Comparison of business strategies and actual business progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period is set out below:

Business objective as stated in the Prospectus	Actual business progress up to 30 June 2021
Expansion of production capacities	The Group used the Net Proceeds to finance the costs of construction of the new factory building of approximately HK\$8.1 million. The remaining unused Net Proceeds are expected to be incurred before December 2023.
Replacement of machines in existing production lines	The Group used approximately HK\$20.1 million to replace the machines in existing production lines.
Partial repayment of bank loans	The remaining unused Net Proceeds are expected to be incurred before December 2021.
Enhancement of marketing efforts	The Group engaged a marketing firm of approximately HK\$4.7 million for promotion of the brands to strengthen our market position in the confectionary industry in the PRC and enhance our brand recognition and awareness. The remaining unused Net Proceeds are expected to be incurred before August 2021.
General working capital	The Group used approximately HK\$2.3 million for general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Principal risks and uncertainties in achieving our business strategies

Up to the date of this report, the Group faces certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus, and are summarised as follows:

- (1) The outbreak of the COVID-19, may cause damage to its economy and as a result may adversely affect our business plan to expand our production capacities and replace of machines in existing production lines;
- (2) When achieving our business plans, timing is everything. The Group may fail to grasp the business trend to determine the optimal time to hit the market or promote our brands; and
- (3) In an increasingly volatile and complex trading environment, the Group may face change of consumer behavior and high competition when we launch our marketing plan.

In order to alleviate the above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges. We will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the capital structure of the Company for the six months ended 30 June 2021.

Cash position

At 30 June 2021, the cash and cash equivalents of the Group amounted to approximately RMB81.5 million, representing an increase of approximately 186.0% from approximately RMB28.5 million at 31 December 2020. The increase was mainly due to the Net Proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

At 30 June 2021, the total borrowings of the Group, all of which were denominated in RMB, amounted to approximately RMB218.4 million (at 31 December 2020: approximately RMB218.9 million). Among the borrowings,

1. approximately RMB40.0 million (as at 31 December 2020: RMB40.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 6.09% and was secured by independent third parties.
2. approximately RMB147.4 million (at 31 December 2020: RMB147.4 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging from 3.35%–5.87% and was secured by right-of-use assets and property, plant and equipment of the Company.
3. approximately RMB26.5 million (at 31 December 2020: RMB27.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.22% and was secured by personal guarantee by the related parties of the Company and corporate guarantee by independent third parties.
4. approximately RMB4.5 million (at 31 December 2020: RMB4.5 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.00% and was secured by personal guarantee by the related parties of the Company.

Pledge of assets

At 30 June 2021, the Group had pledged certain assets to secure facilities granted to the Group included (i) the right-of-use assets with carrying amount of RMB23,117,000 (2020: RMB23,406,000); (ii) the building with carrying amount of RMB116,506,000 (2020: RMB118,540,000); and (iii) plant and machinery with carrying amount of RMB52,261,000 (2020: RMB56,623,000).

Gearing ratio

At 30 June 2021, the gearing ratio of the Group was approximately 60.4% (as at 31 December 2020: approximately 84%). The decrease was mainly due to the increase in amount of the total equity of the Group during the period. The gearing ratio is calculated based on the bank borrowings and bills payable divided by the total equity of the Group at the end of the respective period.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board has resolved not to declare the payment of a dividend for the six months ended 30 June 2021 (2020: Nil).

COMMITMENTS

As at 30 June 2021, the Group had capital commitment of approximately RMB20.3 million in respect of acquisition of property, plant and equipment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no other material acquisition or disposal of subsidiaries, associates or joint ventures during the period between 31 December 2020 and 30 June 2021.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2021, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

At 30 June 2021, the Group had no significant contingent liabilities (at 31 December 2020: Nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

As at 30 June 2021, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

TREASURY AND RISK MANAGEMENT

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

At 30 June 2021, the Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents.

At 30 June 2021 and 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits and credit approvals. The Group's monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on credit card trade receivables individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Other receivables

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Cash and cash equivalents

The Group deposited its cash with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk was minimal.

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 506 employees (at 31 December 2020: 504 employees). Remuneration of employees (excluding the Directors) is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration committee of the Company reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. As incentives or rewards for their contribution to the Group, the Group has adopted the share option scheme and may grant options under the share option scheme to reward its employees, the Directors and other selected participants for their contributions to the Group.

The Directors are of the view that employees are one of the keys to the sustainable development of the Group. The Directors believe that the Group maintains good working relations with its employees.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of training to our employees, including (i) conducting in-house continuous professional development seminars; and (ii) provision of safety training programmes to enhance their safety awareness.

LITIGATIONS

At 30 June 2021, the Group was not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance pending or threatened by or against any member of the Group.

PROSPECT

Our business objective is to strive to achieve sustainable growth and further enhance our position as a manufacturer of confectionary products in the PRC. We plan to leverage our competitive strengths and implement the following strategies: (i) expansion of production capacities; (ii) replacement of machines in our existing production lines; (iii) enhancement of marketing effort, increasing our sales through e-commerce channel and expansion of our distribution network; and (iv) expansion and enhancement of our product offerings through continuous product development efforts.

MANAGEMENT DISCUSSION AND ANALYSIS

Historically, we are a confectionary products manufacturer in the PRC. We have focused on manufacturing and selling confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We own and operate our production facilities for the manufacturing of our confectionary products with a view to control our product quality, production costs and production schedule directly. We believe that production facilities, product development and quality control are crucial to our competitiveness and success. Thus, we will put significant emphasis on purchasing and introducing new production lines, purchasing new equipment and machines for replacement of existing machines and equipment. We will also emphasis on product development and will commit to enhancing product quality to cater for changing consumer preferences and enhancing our product offerings.

One of our business strategies is to leverage on our production and product development capacities and experience in the manufacture and sale of our own-branded products, we manufacture and sell our confectionary products under brands owned or licenced by OEM customers in the PRC and to overseas countries. To enhance our marketing, we will engage a marketing firm for promotion of our brands to strengthen our market position in the confectionary industry in the PRC and enhance our brand recognition and awareness, so as to increase our sales through e-commerce channel and enhance our distribution network.

We believe that the above business strategies will take advantage of the business opportunities and explore new markets with significant growth potential in the PRC. Looking ahead, the Group will endeavor to strengthen the development of its businesses to provide steady return as well as growth prospects for the Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has adopted and has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the period, except for the deviations of paragraph A.2.1 of the CG Code, which is explained in the paragraph below.

MANAGEMENT DISCUSSION AND ANALYSIS

Paragraph A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently, Mr. Zheng Zhenzhong (“**Mr. Zheng**”) is our chairman and also the chief executive officer of our Company and he has been managing our Group’s business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group’s operations; (ii) Mr. Zheng’s in-depth knowledge and experience in the confectionary industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Zheng taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company periodically issues notices to the Directors reminding them of the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry to the Directors, all Directors have complied with the required standard of dealings and the Company’s code of conduct regarding securities transactions by the directors throughout the period under review. The Company was not aware of any non-compliance in this respect during the six months ended 30 June 2021.

DISCLOSURE OF DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES

During the six months ended 30 June 2021, there were no changes to the Directors’ information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETING BUSINESS

Save as disclosed in the Prospectus and this report, the Directors are not aware of any business or interest of the Directors or the controlling Shareholders or any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the six months ended 30 June 2021.

THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares (the “**Shares**”), underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Zheng Guodian (Note 1)	Interest of controlled corporation	201,662,968	25.46%
Mr. Zheng Guosi (Note 2)	Interest of controlled corporation	201,662,968	25.46%
Mr. Zheng Zhenzhong (Note 3)	Interest of controlled corporation	172,853,972	21.82%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. These 175,000,000 Shares are held by Haisen International Limited ("**Haisen**"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zheng Guodian. Therefore, Mr. Zheng Guodian is deemed to be interested in all the Shares held by Haisen for the purpose of the SFO. Mr. Zheng Guodian is the sole director of Haisen.
2. These 175,000,000 Shares are held by Xiejia Limited ("**Xiejia**"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zheng Guosi. Therefore, Mr. Zheng Guosi is deemed to be interested in all the Shares held by Xiejia for the purpose of the SFO. Mr. Zheng Guosi is the sole director of Xiejia.
3. These 150,000,000 Shares are held by Jianeng International Limited ("**Jianeng**"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zheng Zhenzhong. Therefore, Mr. Zheng Zhenzhong is deemed to be interested in all the Shares held by Jianeng for the purpose of the SFO. Mr. Zheng Zhenzhong is the sole director of Jianeng.

Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Zheng Guodian	Haisen	Beneficial owner	one	100%
Mr. Zheng Guosi	Xiejia	Beneficial owner	one	100%
Mr. Zheng Zhenzhong	Jianeng	Beneficial owner	one	100%

Save as disclosed above and so far as is known to the Directors, at 30 June 2021, none of the Directors and 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 corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 to the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 30 June 2021 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares

Name of shareholders	Capacity	Number of ordinary shares interested	Percentage of shareholding
Haisen	Beneficial owner (Note 1)	201,662,968	25.46%
Ms. Hong Mali	Interest of spouse (Note 2)	201,662,968	25.46%
Xiejia	Beneficial owner (Note 3)	201,662,968	25.46%
Ms. Wu Zihong	Interest of spouse (Note 4)	201,662,968	25.46%
Jianeng	Beneficial owner (Note 5)	172,853,972	21.82%
Ms. Su Li	Interest of spouse (Note 6)	172,853,972	21.82%

Notes:

1. Haisen is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zheng Guodian. Therefore, Mr. Zheng Guodian is deemed to be interested in all the Shares held by Haisen for the purposes of the SFO. Mr. Zheng Guodian is the sole director of Haisen.
2. Ms. Hong Mali is the spouse of Mr. Zheng Guodian. She is deemed to be interested in all the Shares in which Mr. Zheng Guodian is interested under the SFO.
3. Xiejia is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zheng Guosi. Therefore, Mr. Zheng Guosi is deemed to be interested in all the Shares held by Xiejia for the purposes of the SFO. Mr. Zheng Guosi is the sole director of Xiejia.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Ms. Wu Zihong is the spouse of Mr. Zheng Guosi. She is deemed to be interested in all the Shares in which Mr. Zheng Guosi is interested under the SFO.
5. Jianeng is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zheng Zhenzhong. Therefore, Mr. Zheng Zhenzhong is deemed to be interested in all the Shares held by Jianeng for the purposes of the SFO. Mr. Zheng Zhenzhong is the sole director of Jianeng.
6. Ms. Su Li is the spouse of Mr. Zheng Zhenzhong. She is deemed to be interested in all the Shares in which Mr. Zheng Zhenzhong is interested under the SFO.

Save as disclosed above, at 30 June 2021, the Directors were not aware of any interests or short positions of any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 18 February 2021. During the six months ended 30 June 2021, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme. The principal terms of the Share Option Scheme were summarised as follows.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Purpose

The purpose of the scheme is to enable the Group to grant options to the Eligible Participants (as defined in below) as incentives or rewards for their contribution to the Group and to provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the Group's objectives.

2. Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("**Eligible Participants**"):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of our Group;
 - (bb) quality of work performed for our Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Maximum number of the Shares

The maximum number of Shares which may be issued upon exercise of all option to be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued under the exercise of the Over-allotment Option), being 79,200,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any

MANAGEMENT DISCUSSION AND ANALYSIS

alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

As at the date of this report, no Share options have been granted by the Company since the adoption of the share option scheme and the outstanding number of Share options available for grant under the Scheme is 79,200,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company. As such, no share options have been exercised, cancelled or lapsed during the period.

4. **Limit for each participant**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules.

5. **Exercise of an option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the "**Adoption Date**"). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

MANAGEMENT DISCUSSION AND ANALYSIS

6. Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for the grant of an option to subscribe for Shares granted pursuant to the Share Option Scheme may be accepted by an Eligible Participant in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option by such Eligible Participant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraph the paragraph headed “(z) Obtaining necessary consent” on page VI-31 of the Prospectus, an option shall be exercisable in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate issued by the auditors to our Company or the independent financial adviser, our Company shall accordingly allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee share certificates in respect of the Shares so allotted. The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

MANAGEMENT DISCUSSION AND ANALYSIS

7. Subscription price

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall, subject to any adjustments made in accordance with paragraph (r), be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the ordinary shares of the Company for the six months ended 30 June 2021.

EVENT AFTER REPORTING PERIOD

There has been no significant event that affected the Group after 30 June 2021 and up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings, as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry with all the Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”), comprising three independent non-executive Directors, namely Mr. Wu Shiming, Mr. Wang Linan and Mr. Chen Congming, together with the management of the Company, have reviewed the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters and the unaudited consolidated financial statements for the six months ended 30 June 2021. The Audit Committee has also reviewed this report and is of the opinion that such financial statements of the Group for the six months ended 30 June 2021 comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

CHANGE OF COMPANY SECRETARY

Mr. Ng Kin Sun has resigned as the company secretary of the Group, an authorised representative of the Company for accepting service of process and notice in Hong Kong on its behalf under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”), and an authorised representative (the “**Authorised Representative**”) of the Company for the purpose of Rule 3.05 of the Listing Rules with effect from 1 June 2021 due to personal reason to further his career development.

Following the resignation of Mr. Ng Kin Sun, Mr. Ng Shing Kin had been appointed has been appointed as the Company Secretary of the Group, an Authorised Representative of the Company and an agent for accepting service of process and notices on behalf of the Company in Hong Kong under the Companies Ordinance with effect from 1 June 2021. For further details, please refer to the announcement of the Company dated 1 June 2021.

On behalf of the Board

Zheng Zhenzhong

Chairman and executive Director

Hong Kong, 24 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4	190,350	169,870
Cost of sales		(128,971)	(118,777)
Gross profit		61,379	51,093
Other income and gain, net	5	824	376
Selling expenses		(15,181)	(13,839)
Administrative expenses		(22,919)	(8,983)
Finance costs	6	(6,262)	(7,071)
Profit before taxation	7	17,841	21,576
Taxation	8	(8,484)	(5,865)
Profit for the period		9,357	15,711
Profit for the period attributable to owners of the Company		9,357	15,711
Items that may be reclassified subsequently to profit or loss:			
Exchange difference translation of foreign operations		(510)	(240)
Other comprehensive expense for the period, net of tax		(510)	(240)
Total comprehensive income for the period attributable to owners of the Company		8,847	15,471
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	10	1.3	2.6

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	244,982	233,500
Right-of-use assets		23,117	23,406
Deferred tax assets		120	120
		268,219	257,026
Current assets			
Inventories		89,217	81,199
Trade receivables	12	108,053	97,370
Prepayments and other receivables	13	59,273	45,410
Cash and cash equivalents		81,512	28,468
		338,055	252,447
LIABILITIES			
Current liabilities			
Trade payables	14	1,720	5,067
Accruals and other payables	15	11,864	11,083
Contract liabilities		369	1,056
Bank borrowings		218,375	218,920
Amount due to a director	18b	7,731	8,309
Tax payables		4,500	4,374
		244,559	248,809
Net current assets		93,496	3,638
Total assets less current liabilities		361,715	260,664
Net assets		361,715	260,664

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
EQUITY			
Share capital	16	532	350
Reserves		361,183	260,314
Total equity		361,715	260,664

Zheng Zhenzhong

Executive Director

Zheng Guosi

Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity holders of the Company						
	Share capital RMB'000	Share Premium RMB'000	Capital Reserve RMB'000 <i>(Note a)</i>	Statutory surplus reserve RMB'000 <i>(Note b)</i>	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020 (audited)	350	-	3,990	22,695	100	188,933	216,068
Profit for the period	-	-	-	-	-	19,027	19,027
Other comprehensive expense for the period	-	-	-	-	(240)	-	319
Total comprehensive income for the period	-	-	-	-	(240)	19,027	18,787
Transfer to statutory surplus reserve	-	-	-	2,010	-	(2,010)	-
At 30 June 2020 (unaudited)	350	-	3,990	24,705	(140)	205,950	234,855
At 1 January 2021 (audited)	350	-	3,990	27,203	618	228,503	260,664
Profit for the period	-	-	-	-	-	9,357	9,357
Other comprehensive expense for the period	-	-	-	-	(510)	-	(510)
Total comprehensive income for the period	-	-	-	-	(510)	9,357	8,847
Shares issued pursuant to the Capitalisation	51	(51)	-	-	-	-	-
Shares issued pursuant to the Listing	131	124,258	-	-	-	-	124,389
Listing expenses charged to share premium	-	(32,185)	-	-	-	-	(32,185)
Transfer to statutory surplus reserve	-	-	-	2,348	-	(2,348)	-
At 30 June 2021 (unaudited)	532	92,022	3,990	29,551	108	235,512	361,715

Notes:

- The capital reserve represents the difference between the nominal value of the share capital issued by the Company and the consideration received pursuant to the group reorganisation.
- As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to makeup prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<i>Notes</i>		
Net cash used in operating activities	(11,684)	(13,173)
Investing activities		
Interest received	56	50
Purchases of property, plant and equipment	(19,637)	–
Net cash (used in)/generated from investing activities	(19,581)	50
Financing activities		
Proceeds from bank borrowings	97,080	22,500
Repayment on bank borrowings	(97,625)	(22,500)
Proceeds from share issued pursuant to the Listing, net of corresponding Listing expenses	92,204	–
Advance (to)/from a director	(578)	480
Interest paid	(6,262)	(7,071)
Net cash generated from/(used in) financing activities	84,819	(6,591)
Net decrease in cash and cash equivalents	53,554	(19,714)
Cash and cash equivalents at the beginning of the period/year	28,468	37,684
Effect of exchange rate changes	(510)	(240)
Cash and cash equivalents at the end of the period/year	81,512	17,730
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	81,512	17,730

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The unaudited condensed consolidated interim financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the six months ended, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs.

The Group currently operates one operating segment which is revenue from sale of the confectionary products. Accordingly, the Group does not have separately reportable segments.

Geographical information

The Group's operations and non-current assets are located in the PRC. Information about the revenue based on the geographical locations of the customers are detailed below:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
PRC	172,238	155,478
Asia (excluding PRC) (Note 1)	6,311	5,129
Europe (Note 2)	9,826	9,263
Others (Note 3)	1,975	–
	190,350	169,870

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. OPERATING SEGMENT (CONTINUED)

Geographical information (Continued)

Notes:

- (1) Included Philippines, United Arab Emirates, Korea, Indonesia and Vietnam.
- (2) Included Germany, Poland, the United Kingdom, Lithuania, Czech Republic, Denmark, Spain, Italy, France and Belgium.
- (3) Included Australia, Argentina, Brazil and Ecuador.

Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the six months ended 30 June 2021 and 2020 are as follow:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Customer A	40,023	27,716
Customer B	21,348	22,668

As at 30 June 2021 and 2020, 41.1% and 42.5% respectively of the Group's trade receivable were due from those customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount and other allowance for the period, and is analysed as follow:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Analysed by type of products		
OEM products	81,359	68,808
Own-branded products		
— Coolsa	91,320	80,479
— Lalabo	14,966	16,847
— Jiujiuwang	2,705	3,736
Sale of good, recognised at a point in time	190,350	169,870

Transaction prices are fixed in respective contracts. Unsatisfied performance obligations at 30 June 2021 and 2020 have expected duration of less than one year and are thus not disclosed as permitted under HKFRS 15.

5. OTHER INCOME AND GAIN, NET

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Bank interest income	56	50
Exchange gain	160	275
Rental income	13	13
Government grants	595	38
	824	376

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest expenses on — bank borrowings wholly repayable within five years	6,262	7,071

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cost of inventories recognised as expenses	102,828	93,846
Depreciation of property, plant and equipment	8,155	8,277
Depreciation of right-of-use assets	289	289
Employee benefit expenses (including directors' emoluments)	21,773	19,438
Net allowance for expected credit losses on trade receivables	—	829
Listing expenses	15,924	560

8. TAXATION

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
The taxation charge comprises:		
Current tax		
— PRC Enterprise Income Tax	8,484	6,072
Deferred taxation	—	(207)
Total tax expenses for the period	8,484	5,865

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. TAXATION (CONTINUED)

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the period (2020: Nil).

The PRC

The PRC Enterprise Income Tax (“**PRC EIT**”) is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted loss per share	9,357	15,711
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	710,600	594,000

For the six months ended 30 June 2021, the weighted average number of ordinary shares are on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue and the addition of 198,000,000 shares in issue pursuant to the Global Offering on 16 March 2021.

For the six months ended 30 June 2020, the weighted average number of ordinary shares are on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2021, the Group's buildings and plant and machinery with a carrying amounts of approximately RMB168,961,000 (31 December 2020: RMB175,163,000) respectively have been pledged as securing credit facilities granted to the bank.

During the six months ended 30 June 2021, the Group has paid RMB19,581,000 (2020: Nil) on acquisition on property, plant and equipment.

12. TRADE RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	108,533	97,850
Less: allowance for expected credit losses	(480)	(480)
	108,053	97,370

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 180 days to its customers.

Ageing analysis of trade receivables (net of allowance for expected credit losses) presented, based on invoice date, as at the end of each of the reporting periods is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 30 days	35,075	37,174
31–60 days	18,434	29,767
61–90 days	17,512	18,011
91–180 days	37,032	12,418
181–365 days	–	–
Over 365 days	–	–
	108,053	97,370

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. TRADE RECEIVABLES (CONTINUED)

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Credit limited attributed to customers are reviewed when necessary. All of the Group's trade receivables that are past due but not impaired have no history of defaulting on repayment. As at 30 June 2021 and 2020, the Group does not charge interest nor hold any collateral over the balances.

Movement in the allowance for expected credit losses on trade receivables

	RMB'000
Balance as at 1 January 2020	1,029
Net allowance for expected credit losses	(549)
Balance as at 31 December 2020 and 1 January 2021	480
Net allowance for expected credit losses	–
Balance as at 30 June 2021	480

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Prepayment (Note)	51,963	44,492
Other receivables	7,310	918
	59,273	45,410

Note: Include in prepayments, approximately RMB49,526,000 (31 December 2020: RMB39,266,000) represented the prepayments for purchase of raw material as at 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	As at	
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 30 days	1,060	3,724
31–60 days	660	1,343
61–90 days	–	–
91–180 days	–	–
181–365 days	–	–
Over 365 days	–	–
	1,720	5,067

Credit periods of trade payables normally granted by its suppliers were up to 60 days.

15. ACCRUALS AND OTHER PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Accruals	4,546	5,519
Other payables	7,318	5,564
	11,864	11,083

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. SHARE CAPITAL

	30 June 2021 Number '000 (unaudited)	31 December 2020 Number '000 (audited)	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
Authorised:				
As at 1 January	515	515	52	52
Share subdivision (Note i)	1,999,485	–	148	–
As at 30 June 2020/ 31 December 2020	2,000,000	515	200	52
Issued and fully paid:				
As at 1 January	515	515	52	52
Share subdivision (Note i)	514,949	–	–	–
Shares issued under the Capitalisation Issue (Note ii)	78,536	–	8	–
Shares issued pursuant to the Global Offering (Note iii)	198,000	–	20	–
As at 30 June 2020/31 December 2020	792,000	515	80	52
Show in the consolidated statement of financial position (in RMB'000)			532	350

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. SHARE CAPITAL (CONTINUED)

Notes:

- (i) On 10 February 2021, the Company resolved that, among others, (i) the authorised share capital of our Company be increased from US\$51,546.4 to US\$200,000 by the creation of an additional 1,484,536 Shares of US\$0.1 each ranking pari passu in all aspects with the existing issued Shares and (ii) immediately thereafter all the issued and unissued Shares at a par value of US\$0.1 each be subdivided into 1,000 Shares at a par value of US\$0.0001 each such that the authorised share capital of our Company shall be US\$200,000 divided into 2,000,000,000 Shares at a par value of US\$0.0001 each and the issued share capital of our Company shall be US\$51,546.4 divided into 515,464,000 Shares at a par value of US\$0.0001 each.
- (ii) Pursuant to a written resolution of the shareholders of the Company (the **"Shareholders"**) passed on 18 February 2021, subject to the share premium account of the Company being credited as a result of the global offering of the Company's shares, the Directors were authorised to allot and issue a total of 78,536,000 shares credited as fully paid at par to the then Shareholders by way of capitalisation of an amount of approximately HK\$61,000 (equivalent to RMB51,000) standing to the credit of the share premium account of the Company.
- (iii) On 16 March 2021, the Company issued 198,000,000 ordinary shares of US\$0.0001 each at a price of HK\$0.75 each pursuant to the global offering. Gross proceeds amounting to HK\$148,500,000 (equivalent to approximately RMB124,389,000) was raised from the global offering, of which approximately HK\$156,000 (equivalent to approximately RMB131,000) and HK\$148,344,000 (equivalent to approximately RMB124,258,000) was credited to the share capital and share premium account respectively. Listing expenses of approximately RMB32,185,000 was deducted from the share premium account.

17. PLEDGE OF ASSETS

As at 30 June 2021 and 31 December 2020, the following assets of the Group were pledged to banks to secure the bank borrowings granted to the Group.

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Building	116,505	118,540
Plant and machinery	52,261	56,623
Right-of-use assets	23,117	23,406
	191,883	198,569

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this interim report, the Group entered the following material related party transactions:

(a) Compensation of key management personnel

The remuneration of key management personnel (representing directors) during the period are set out as follows:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	489	348
Retirement scheme contribution	45	37
	534	385

(b) Amount due to a director

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Mr. Zheng Zhenzhong	7,731	8,309

The amount due to a director are unsecured, interest-free and repayable on demand.

19. CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitment of approximately RMB20,273,000 (31 December 2020: RMB15,000,000) in respect of acquisition of property, plant and equipment.