



CHINA PUTIAN FOOD HOLDING LIMITED

中國普甜食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：1699



Interim Report
2022 中期報告



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Corporate Information

DIRECTORS

Executive Directors

Mr. Cai Chenyang (*Chairman and Chief Executive Officer*)
Mr. Cai Haifang
Ms. Ma Yilin

Non-executive Directors

Mr. Cheng Lian
Mr. Cai Zhiwei

Independent Non-executive Directors

Mr. Xue Chaochao
Mr. Cai Zirong (resigned on 5 January 2022)
Mr. Wang Aiguo
Mr. Ke Qingming (appointed on 5 January 2022)

AUDIT COMMITTEE

Mr. Xue Chaochao (*Committee Chairman*)
Mr. Cai Zirong (resigned on 5 January 2022)
Mr. Wang Aiguo
Mr. Ke Qingming (appointed on 5 January 2022)

REMUNERATION COMMITTEE

Mr. Cai Zirong (resigned on 5 January 2022)
Mr. Xue Chaochao
Mr. Wang Aiguo
Mr. Ke Qingming (*Committee Chairman*,
appointed on 5 January 2022)

NOMINATION COMMITTEE

Mr. Wang Aiguo (*Committee Chairman*)
Mr. Xue Chaochao
Mr. Cai Zirong (resigned on 5 January 2022)
Mr. Ke Qingming (appointed on 5 January 2022)

COMPANY SECRETARY

Mr. Chu Kim Ho *HKICPA*

LEGAL ADVISOR

Ince & Co

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKER

Bank of China
No. 156, Dongda Road
Chengxiang District
Putian City
Fujian Province, the PRC

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3561, 35th Floor
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Hualin Road, Hualin Industrial Zone
Chengxiang District
Putian City, Fujian Province
the PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

<https://chinaputian.quikec.cn/#/>

STOCK CODE

1699



Management Discussion and Analysis

BUSINESS REVIEW

During the Reviewed Period, the Coronavirus Disease 2019 (“**COVID-19**”) was still raging globally. With the rapid growth of pork breeding capacity and in a situation of oversupply, the prices of pork and live hogs continued to decrease in the first half of 2022 as compared to 2021. Feed ingredients increased steadily, combined with factors such as an increase in pandemic prevention cost, the average breeding costs have reached historical high in 2022. The extremely keen and unhealthy competition environment in the hogs raising industry created a very great difficulty to the Group for the cashflow and sales management, especially the much worsen account receivables turnover cycle in the hogs raising industry chain.

For the Reviewed Period, the Group recorded a revenue of approximately RMB239,282,000, representing a decrease of approximately 26.5% as compared with approximately RMB325,694,000 for the Corresponding Period; the overall gross profit of the Group was approximately RMB28,357,000, representing a decrease of approximately 35.2% as compared with approximately RMB43,771,000 for the Corresponding Period; the net loss for the Reviewed Period was approximately RMB167,114,000, representing an increase of approximately 205.4% as compared with the net loss approximately RMB54,716,000 for the Corresponding Period. Although the overall consumption sentiment in China was improved, during the Reviewed Period, the extremely worsen account receivables turnover cycle in the hogs raising industry chain had created a lot difficulty in the sales and operation management of the Group. Under this severe tight cashflow situation, management strategically focused on the change of sales product mix with fasten cashflow turnover rate such as more wholesale of port instead of retail sales.

The high increase in net loss resulted was mainly due to the following reasons: (i) drop in overall gross profit of the Group because of the domestic pork price drop; (ii) loss arising from the change in fair value less costs to sell of biological assets amounted RMB24,047,000 because of the domestic pork price drop; and (iii) increase in expected credit loss amounted RMB140,980,000 under the extremely worsen account receivables turnover cycle in the hogs raising industry chain during the Reviewed Period.

The calculation of the expected credit loss of the Group was under the Group’s accounting policy consistently applied on the account receivables ageing analysis basis and the credit loss rate assumed under the historical turnaround cycle and industrial reference basis. With more severely collection policy enforced by the Group’s management dealing with the overdue customers in the subsequent three months after the Reviewed Period, over RMB100,000,000 relevant overdues account receivables were collected back in these three months and reflected in the Group’s management accounts ended 30 September 2022. The Group’s management will continue its efforts to collect the outstanding trade receivables, closely monitor the collection progress and regularly review its collection policy. In addition, the Company will consider recover its outstanding trade receivables through debt recovery services or legal means as and when appropriate. The hogs price had also increased sharply up to 50% since June 2022. The hogs raising industrial environment is expected to resume more healthy in the coming future. It is expected the sales and operation management would be much improved in the second half of year 2022.

With the increase in hogs price trend, the Group expects to achieve good results in sales by taking market opportunities to improve the existing sales channels, expand retail networks and explore, among others, the emerging e-commerce markets. The Group would seize this business opportunities of market recovery to improve business conditions and expects to rebound in the second half of 2022 from the level of the Reviewed Period.



Management Discussion and Analysis (continued)

FINANCIAL REVIEW

1. Revenue

The following table sets out a breakdown of the revenue of the Group by sales segments and their relevant percentage to the total revenue during the Reviewed Period:

	Six months ended 30 June			
	2022		2021	
	RMB'000 (Unaudited)	Percentage of total revenue (%)	RMB'000 (Unaudited)	Percentage of total revenue (%)
Revenue				
Retail of pork	96,901	40.5	209,746	64.4
Wholesale of pork	128,310	53.6	103,208	31.7
Retail of frozen pork	5,266	2.2	10,038	3.1
Wholesale of commodity hogs	8,805	3.7	2,702	0.8
	239,282	100.0	325,694	100.0

The total unaudited revenue of the Group decreased from approximately RMB325,694,000 for the Corresponding Period to approximately RMB239,282,000 for the Reviewed Period, representing a decrease of approximately 26.5% as compared with the Corresponding Period, which was mainly attributable to the fact that the keen and unhealthy competition in the hogs-raising industry and the much worsen account receivables turnover cycle in the hogs-raising industry chain.

Revenue from Retail of Pork

The Group's unaudited revenue from retail of pork decreased from approximately RMB209,746,000 for the Corresponding Period to approximately RMB96,901,000 for the Reviewed Period, representing a decrease of approximately 53.8%. It was attributable to management strategically change of sales product mix with fasten cashflow turnover rate.

Revenue from Wholesale of Pork

The Group's unaudited revenue from wholesale of pork increased from approximately RMB103,208,000 for the Corresponding Period to approximately RMB128,310,000 for the Reviewed Period, representing an increase of approximately 24.3%, which was primarily due to the fact that management strategically change of sales product mix with fasten cashflow turnover rate.



Management Discussion and Analysis (continued)

Revenue from Retail of Frozen Pork

The Group's unaudited revenue from retail of frozen pork decreased from approximately RMB10,038,000 for the Corresponding Period to approximately RMB5,266,000 for the Reviewed Period, representing a decrease of approximately 47.5%, which was mainly attributable to the fact that difficulty in the sales and cashflow management under the worsen industrial sentiment.

Revenue from Wholesale of Commodity Hogs

The Group's unaudited revenue from wholesale of commodity hogs increased from approximately RMB2,702,000 for the Corresponding Period to approximately RMB8,805,000 for the Reviewed Period, representing an increase of approximately 225.9%. Such increase was mainly attributable to management strategically change of sales product mix with fasten cashflow turnover rate.

The Group will make strenuous efforts to develop high-end pork products and expand its product offerings and sales channels, so as to satisfy consumers' demand for high quality products.

2. Gross Profit and Gross Profit Margin

The following table sets out the total gross profit and gross profit margin of the Group by sales segments during the Reviewed Period:

	Six months ended 30 June			
	2022		2021	
	Gross Profit Margin	Gross Profit Margin	Gross Profit Margin	Gross Profit Margin
	RMB'000 (Unaudited)	(%)	RMB'000 (Unaudited)	(%)
Gross profit and gross profit margin				
Retail of pork	14,570	15.0	33,467	16.0
Wholesale of pork	9,439	7.4	9,179	8.9
Retail of frozen pork	474	9.0	500	5.0
Wholesale of commodity hog	3,874	44.0	625	23.1
	28,357	11.9	43,771	13.4

The overall unaudited gross profit of the Group decreased from approximately RMB43,771,000 for the Corresponding Period to approximately RMB28,357,000 for the Reviewed Period. The overall gross profit margin of the Group decreased from 13.4% for the Corresponding Period to approximately 11.9% for the Reviewed Period. The decrease in gross profit margin was attributable to the continuing hogs price drop and the keen and unhealthy competition environment in the hogs-raising industry during the Reviewed Period.

Management Discussion and Analysis (continued)

Gross Profit and Gross Profit Margin for the Retail of Pork

The gross profit from the retail of pork decreased from approximately RMB33,467,000 for the Corresponding Period to approximately RMB14,570,000 for the Reviewed Period. The gross profit margin for the retail of pork dropped from approximately 16.0% for the Corresponding Period to approximately 15.0% for the Reviewed Period. For the Reviewed Period, the gross profit and gross profit margin for this segment decreased due to the continuing hogs price drop and the keen and unhealthy competition environment in the hogs-raising industry during the Reviewed Period.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from the wholesale of pork increased from approximately RMB9,179,000 for the Corresponding Period to approximately RMB9,439,000 for the Reviewed Period. The gross profit margin for the wholesale of pork decreased from approximately 8.9% for the Corresponding Period to approximately 7.4% for the Reviewed Period. The decrease in gross profit margin was attributable to the continuing hogs price drop and the keen and unhealthy competition environment in the hogs-raising industry during the Reviewed Period.

Gross Profit and Gross Profit Margin for the Retail of Frozen Pork

The gross profit from the retail of frozen pork decreased from approximately RMB500,000 for the Corresponding Period to approximately RMB474,000 for the Reviewed Period. The gross profit margin for the retail of frozen pork increased from approximately 5.0% for the Corresponding Period to approximately 9.0% for the Reviewed Period.

Gross Profit and Gross Profit Margin for the Wholesale of Commodity Hogs

The gross profit from the wholesale of commodity hogs increased from approximately RMB625,000 for the Corresponding Period to approximately RMB3,874,000 for the Reviewed Period. The gross profit margin for the wholesale of commodity hogs increased from approximately 23.1% for the Corresponding Period to approximately 44.0% for the Reviewed Period. The increase in gross profit margin for the wholesale of commodity hogs was mainly due to the fastening cashflow strategy sales with shortening pig-raising period to save cost during the Reviewed Period.

3. Profit for the six months ended 30 June 2022

The net loss for the Reviewed Period was approximately RMB167,114,000, representing an increase of approximately 205.4% as compared with the net loss approximately RMB54,716,000 for the Corresponding Period.

The high increase in net loss resulted was mainly due to the following reasons: (i) drop in overall gross profit of the Group because of the domestic pork price drop; (ii) loss arising from the change in fair value less costs to sell of biological assets amounted RMB24,047,000 because of the domestic pork price drop; and (iii) increase in expected credit loss amounted RMB140,980,000 under the extremely worsen account receivables turnover cycle in the hogs-raising industry chain during the Reviewed Period.



Management Discussion and Analysis (continued)

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group primarily finances the capital required for operations by internally generated cashflow and bank facilities. As at 30 June 2022, cash and bank balances amounted to approximately RMB6,593,000 (31 December 2021: approximately RMB7,450,000).

Redemption of Convertible Bond and Note

References are made to the announcements of the Company dated 30 March 2022, 27 April 2022, 27 May 2022, 21 June 2022, 30 June 2022, 29 July 2022, 31 August 2022, 30 September 2022, 14 October 2022, 31 October 2022, 11 November 2022, 22 November 2022 and 1 December 2022 (the "Announcements"). The terms used in this report shall have the same meaning as those defined in the Announcements, unless the context otherwise requires. The Company is still in the process of negotiating with Vandi Investments Limited on the extension of the Maturity Date. The Company will continue to keep its shareholders and potential investors of the Company updated of any material development of the Convertible Bond and the Note as and when appropriate.

Borrowings and Pledged Assets

As at 30 June 2022, the total amount of interest-bearing bank borrowings was approximately RMB127,355,000, all of which would be due within one year (31 December 2021: bank borrowings was approximately RMB123,221,000). The total amounts of interest-bearing bank borrowings and bank overdrafts were denominated in RMB and HKD and bore a floating interest rate.

As at 30 June 2022, interest-bearing borrowings of approximately RMB359,640,000 were secured by pledge/charge over the Group's property, plant and equipment and right-of-use asset with a total carrying value of approximately RMB54,864,000 (31 December 2021: approximately RMB54,864,000), and secured by (i) guarantees provided by the Company and its subsidiaries; (ii) Mr. Cai Haifang, who is the director of the Company, and his wife; and (iii) Mr. Cai Chenyang, who is the director, chairman of the Board and a major shareholder of the Company.

Gearing Ratio

As at 30 June 2022, the gearing ratio of the Group was 145.7% (31 December 2021: 86.2%). This was calculated by dividing interest-bearing borrowings, the amount due to a shareholder lease liabilities with the total equity of the Group as at 30 June 2022.

FOREIGN EXCHANGE RISK

The Group's main operations are located at Putian City, Fujian Province of the PRC. Most of the assets, income, payments and cash balances are denominated in RMB. In addition, the Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation had no material impact on the Group's performance.

Management Discussion and Analysis (continued)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisitions and disposals of subsidiaries during the Reviewed Period.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital commitments of approximately RMB47,096,000 (31 December 2021: approximately RMB47,096,000), which mainly comprised commitments for the construction in process at Hebei and Fujian.

HUMAN RESOURCES

As at 30 June 2022, the Group had 352 (30 June 2021: 483) employees. Staff costs (including share option scheme, sales commission, salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) amounted to approximately RMB7,774,000 (30 June 2021: approximately RMB9,402,000) during the Reviewed Period. All of the Group's companies treat all their employees equally, with the selection and promotion of individuals being based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for our employees in Hong Kong, and provides our PRC employees with various welfare schemes as required by the applicable laws and regulations in the PRC.

PROSPECTS

1. Seizing the Opportunity of Economic Recovery and Striving to Expand Retail Networks

So far, despite the recurrent outbreak of COVID-19 and various external uncertainties, China's economy has recovered faster than the rest of the world, seeing positive consumer market sentiments, which is reasonably believed to continue for some time to come. In the meantime, the pork industry has recovered from the impact of the African swine fever in 2018, with further accelerated industry concentration. Companies operating with high standards and in a brand-based manner have received wider recognition from the consumers. The Group will make unremitting efforts to maintain its advantage in the highly competitive pork market, continue to deepen its brand recognition and consolidate consumer loyalty. In 2022, the Group plans to accelerate the establishment of direct sales channel, primarily in Beijing and Fujian, with setting more new direct stores, new franchise stores and new supermarket in shops. The Group also plans to expand the production line in Hebei Xuanhua to speed up the increase in the number of live hogs ready for slaughter.



Management Discussion and Analysis (continued)

2. Further Expanding Emerging Retail Channels and Developing a New Sales Model

The Group's focus on the development of emerging channels was highly effective in year 2021. Stimulated by the pandemic, people have turned to emerging channels, such as ecommerce, community stores and home delivery, to avoid unnecessary outings, enabling the development of such channels. As the domestic consumer market continues to improve, it is believed that such emerging channels will become the mainstream of the high-end pork market. As such, the Group plans to increase investment in emerging channels to develop a new sales model and strives to increase the proportion of online sales platforms and group buying. Further, it will leverage the latest statistical tools, such as big data, to optimize the publicity strategies, allowing more consumers to purchase the high-quality products of the Group in a fast and convenient manner.

3. Striving to Improve High-End Products Sales in Response to National Consumption Upgrade

The COVID-19 pandemic has led to dramatic loss of people's livelihood and economies around the world, but in China, where the pandemic is well controlled, people have already begun to pay more attention to the safety and quality of products, ushering a new round of consumption upgrade. In view of the integration opportunities brought by the African swine fever in 2018 to the hog industry, it is believed that the high-end products will receive wider recognition. The Group also plans to accelerate the increase in the sales of black pork products and continue to promote "Putian Black Pearl" as a high-end pork brand in order to be well positioned for opportunities in the future market.



Interim Financial Report

The board of directors (the “Board”) of China Putian Food Holding Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 (the “Reviewed Period”) together with the comparative figures for the six months ended 30 June 2021 (the “Corresponding Period”). These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee of the Company (the “Audited Committee”).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

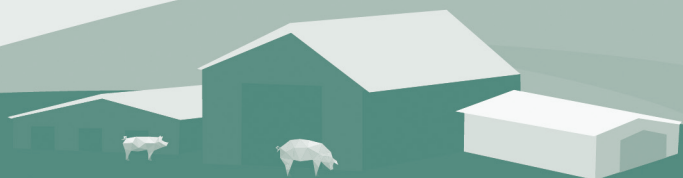
	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	239,282	325,694
Cost of sales		(210,925)	(281,923)
Gross profit		28,357	43,771
Other income and losses	5	1,985	12,068
Loss arising from change in fair value less costs to sell of biological assets	12	(24,047)	(58,207)
Allowance for expected credit loss in respect of financial assets carried at amortised cost, net		(140,980)	–
Selling and distribution expenses		(10,857)	(19,341)
Administrative expenses		(10,971)	(22,108)
Finance costs	6	(10,601)	(10,899)
Loss before taxation		(167,114)	(54,716)
Taxation	7	–	–
Loss for the period	8	(167,114)	(54,716)
Other comprehensive (loss)/income for the period, net of income tax: <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(4,802)	2,162
Other comprehensive (loss)/income for the period, net of income tax		(4,802)	2,162
Total comprehensive loss for the period		(171,916)	(52,554)
Loss for the period attributable to the owners of the Company		(167,114)	(54,716)
Total comprehensive loss for the period attributable to the owners of the Company		(171,916)	(52,554)
Loss per share			
Basic and diluted (RMB cents per share)	10	(8.85)	(2.90)



Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	435,652	452,273
Right-of-use assets		55,754	56,195
Biological assets	12	14,852	38,752
		506,258	547,220
Current assets			
Inventories		37,219	70,630
Biological assets	12	65,710	71,990
Trade receivables	13	63,519	120,388
Deposits paid, prepayments and other receivables	14	137,107	139,402
Pledged bank deposits		10,000	3,000
Cash and bank balances		6,593	7,450
		320,148	412,860
Current liabilities			
Trade and bills payables	15	35,701	24,751
Accruals, deposits received and other payables	16	134,195	96,668
Contract liabilities	18	–	17,932
Borrowings		359,640	350,148
Lease liabilities		4,027	4,274
Deferred revenue		253	253
		533,816	494,026
Net current liabilities		(213,668)	(81,166)
Total assets less current liabilities		292,590	466,054



Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		5,012	4,832
Borrowing		–	2,000
Amount due to a shareholder		12,064	11,666
Deferred revenue		14,106	14,232
		31,182	32,730
Net assets			
		261,408	433,324
Equity			
Share capital	17	77,894	77,894
Share premium and reserves		183,514	355,430
Total equity			
		261,408	433,324



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Share options reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2021 (Audited)	77,894	40,982	(6,832)	80,433	24,603	53,015	422,331	692,426
Loss for the period	-	-	-	-	-	-	(54,716)	(54,716)
Other comprehensive income for the period	-	-	2,162	-	-	-	-	2,162
Total comprehensive loss for the period	-	-	2,162	-	-	-	(54,716)	(52,554)
Transfer to statutory reserve	-	-	-	577	-	-	(577)	-
As at 30 June 2021 (Unaudited)	77,894	40,982	(4,670)	81,010	24,603	53,015	367,038	639,872
As at 1 January 2022 (Audited)	77,894	40,982	524	82,514	24,603	53,015	153,792	433,324
Loss for the period	-	-	-	-	-	-	(167,114)	(167,114)
Other comprehensive loss for the period	-	-	(4,802)	-	-	-	-	(4,802)
Total comprehensive loss for the period	-	-	(4,802)	-	-	-	(167,114)	(171,916)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
As at 30 June 2022 (Unaudited)	77,894	40,982	(4,278)	82,514	24,603	53,015	(13,322)	261,408



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash generated from operating activities	845	79,250
Investing activities		
Interest received	3	14
Purchase of property, plant and equipment	(504)	(51,236)
Net cash used in investing activities	(501)	(51,222)
Financing activities		
Interest paid	(4,038)	(4,538)
Proceeds from bank borrowings	132,713	101,000
Repayments of bank borrowings	(123,221)	(124,530)
Repayments of lease liabilities	(67)	(564)
Increase/(decrease) in amount due to a shareholder	398	313
Decrease/(increase) in pledged bank deposits	(7,000)	960
Net cash used in financing activities	(1,215)	(27,359)
Net increase/(decrease) in cash and cash equivalents	(871)	669
Cash and cash equivalents at beginning of the period	7,450	5,764
Effect of foreign exchange rate changes	14	(14)
Cash and cash equivalents at end of the period	6,593	6,419
Cash and cash equivalents at end of the period		
Cash and bank balances	6,593	6,419



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial information is unaudited but have been reviewed by the audit committee of the Company.

Going Concern

The Group incurred a net loss of approximately RMB167,114,000 for the period ended 30 June 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB213,668,000 and the Group’s borrowings included borrowings of approximately RMB225,095,000 which matured on 31 May 2022, and approximately RMB134,545,000 whose maturity dates were within one year. As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB6,593,000, which is insufficient to fully repay the borrowings and other liabilities of the Group. The ability of the Group to repay its borrowings or extend their maturity dates cast significant doubt on the Group’s ability to continue as a going concern. Notwithstanding the above factors, the consolidated financial statements have been prepared on a going concern basis. The validity of the going concern basis 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 they fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

In the opinion of the Directors, the Group is able to continue in operation as a going concern in the foreseeable future by taking into consideration that:

- (i) The Group is taking measures to tighten cost control over various costs with an aim to attain profitability and positive cash flow from its operations;
- (ii) The Group is in the process of negotiating with its lenders and creditors to restructure and/or refinance its borrowings, and to meet the Group’s working capital and financial requirements in the near future;
- (iii) The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group’s working capital and financial requirements in the near future;
- (iv) The Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, private placements, open offers or rights issue of new shares of the Company; and
- (v) The substantial shareholder of the Company, Mr. Cai Chenyang is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

1. BASIS OF PREPARATION (Continued)

Going Concern (Continued)

In light of the measures and arrangements as described above, the Directors have concluded that the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. 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. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated interim financial statements of the Group for the year ended 31 December 2021.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 are the same as those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2021. In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current period.

3. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the sales of pork and hog operation. A single management team reports to the Group's chief executive officer, Mr. Cai Chenyang (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated results for the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

During the reporting period, all revenue is derived from customers in the People's Republic of China (the "PRC") and almost all the non-current assets of the Group are located in the PRC.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

4. REVENUE

Revenue represents the net invoiced value of goods sold, excludes value added tax or other sales tax. Disaggregation of revenue from contracts with customers by major products or service line is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Recognition at a point of time		
– Retail of pork	96,901	209,746
– Wholesale of pork	128,310	103,208
– Retail of frozen pork	5,266	10,038
– Wholesale of commodity hogs	8,805	2,702
	239,282	325,694



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

5. OTHER INCOME AND LOSSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	3	14
– amortisation of deferred revenue	126	128
Total interest income	129	142
Gain on disposal of biological assets	–	828
Government grants (Notes 1, 2)	1,840	116,252
Sundry incomes	16	5
Written off of property, plant and equipment (Note 2)	–	(70,286)
Written off of right-of-use assets (Note 2)	–	(14,089)
Cancellation of disposal of property, plant and equipment	–	(20,784)
	1,985	12,068

Notes:

- Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of hog farms and slaughterhouse. Subsidies income received by subsidiaries of the Group is recognised in the consolidated statements of profit or loss and comprehensive income when received and no specific conditions have been required to be fulfilled. Those government grants in relation to the construction of hogs farms and slaughterhouse are recognised as deferred revenue. The government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.
- On June 2021, the construction of hogs farm and slaughterhouse had been reclaimed by the local Government of Putian. The carrying amount of certain property, plant and equipment and right-of-use assets approximately RMB70,286,000 and RMB14,089,000 had been written off during the period.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
– Borrowings wholly repayable within five years	7,421	7,116
– Imputed interest charged on non-convertible bonds	3,179	3,101
– Interest expenses on lease liabilities	1	682
	10,601	10,899

7. TAXATION

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong	–	–
– PRC	–	–
Total income tax for the period	–	–

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits. On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (“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 profit tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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%.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

7. TAXATION (Continued)

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory tax rate of Enterprise Income Tax (the “EIT”) for both domestic enterprises and foreign investment enterprises is 25%. Income derived by an enterprise from engaging in the raising of livestock and poultry shall be exempted from EIT. Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries of the Company, operating in the business of primary processing of agricultural products, were exempted from the PRC EIT during the six months ended 30 June 2020 and 2021.

Since the Group can control the quantum and timing of distribution of profits of the Group’s subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

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

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs including directors’ emoluments		
Salaries and other emoluments	7,470	9,185
Retirement scheme contributions	304	217
Total staff costs	7,774	9,402
Depreciation of property, plant and equipment	17,125	14,119
Depreciation of right-of-use assets	441	2,267
Total depreciation and amortisation	17,566	16,386

9. DIVIDENDS

The directors of the company do not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic earnings per share	(167,114)	(54,716)

	Six months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,889,000	1,889,000

For the six months ended 30 June 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, the Group acquired buildings, plant and machinery, office equipment, motor vehicles and construction in progress of approximately RMBNil (2021: RMB5,362,000), RMBNil (2021: RMB4,000), RMB56,000 (2021: RMB21,000), RMB333,000 (2021: RMBNil) and RMB115,000 (2021 RMB41,396,000) respectively.

During the period, the Group did not enter into any new lease arrangement and therefore did not recognise any new addition of right-of-use asset and lease liability.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

12. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	Breeder hogs	Commodity hogs	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2021 (Audited)	20,043	164,149	184,192
Increase due to purchases	47,220	290,357	337,577
Increase due to raising (Feeding cost and others)	22,265	165,294	187,559
Transfer	(10,243)	10,243	–
Decrease due to retirement and deaths	(713)	(11,834)	(12,547)
Decrease due to sales	(131)	(485,837)	(485,968)
Change in fair value less costs to sell	(39,689)	(60,382)	(100,071)
As at 31 December 2021 and 1 January 2022 (Audited)	38,752	71,990	110,742
Increase due to purchases	120	77,349	77,469
Increase due to raising (Feeding cost and others)	9,666	81,781	91,447
Transfer	(14,140)	14,140	–
Decrease due to retirement and deaths	(2,269)	(3,397)	(5,666)
Decrease due to sales	(29)	(169,354)	(169,383)
Change in fair value less costs to sell	(17,248)	(6,799)	(24,047)
As at 30 June 2022 (Unaudited)	14,852	65,710	80,562

Note: The Group's biological assets as at 30 June 2022 and 31 December 2021 have been arrived at on the basis of a valuation carried out by Vincorn Consulting and Appraisal Limited and Assets Appraisal Limited (the "Valuers"). Given the nature of the biological assets where market determined prices are available, the fair values less costs to sell have been determined by the market approach based on the market-determined prices as at 30 June 2022 and 31 December 2021 adjusted with such attributes as pig.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

13. TRADE RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	252,519	168,408
Less: Allowance for expected credit loss	(189,000)	(48,020)
	63,519	120,388

The fair values of trade receivables approximate their carrying amount.

As at 30 June 2022 and 1 January 2022, there were no trade receivables from contracts with customers.

The Group normally allows a credit period ranging from cash upon delivery to 60–90 days depending on the customer's creditworthiness and the length of business relationship with the customers. The ageing analysis of trade receivables based on the invoice date at 30 June 2022 and 31 December 2021 is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 30 days	17,782	32,847
31 to 90 days	46,882	65,585
91 to 180 days	74,522	44,003
Over 180 days	113,333	25,973
	252,519	168,408

The trade receivables are denominated in RMB. The Group does not hold any collateral over these balances.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

14. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Advances to staff	3,641	2,132
Other receivables	3,655	4,456
Other deposits paid and prepayments	131,181	134,184
Less: Allowance for expected credit loss	(1,370)	(1,370)
	137,107	139,402

15. TRADE AND BILLS PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables	25,701	21,751
Bills payables	10,000	3,000
	35,701	24,751



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

15. TRADE AND BILLS PAYABLES (Continued)

The ageing analysis of trade payables based on the invoice dates as at the following dates are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 30 days	2,529	5,932
31 to 90 days	4,540	4,400
91 to 180 days	4,505	11,419
Over 180 days	14,127	–
	25,701	21,751

The average credit period on purchases of certain goods is generally within 15 days to 90 days.

The Group normally obtains credit terms within 60 days from its suppliers (2021: 60 days). The bills payables are matured within twelve months (2021: twelve months) from the end of the reporting period.

16. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Deposits received	1,011	1,011
Other payables for property, plant and equipment	193	193
Accruals and other payables	132,991	95,464
	134,195	96,668

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

17. SHARE CAPITAL

Ordinary shares

	Number of shares	Nominal value of ordinary shares HK\$'000 (Unaudited)	Total RMB'000 (Unaudited)
Authorised:			
At 1 January and 30 June 2021 ordinary shares of HK\$0.05 each	80,000,000,000	4,000,000	3,240,009
Issued and fully paid:			
At 1 January and 30 June 2021 ordinary shares of HK\$0.05 each	1,889,000,000	94,450	77,894

18. BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Borrowings – secured	359,640	350,233
Borrowings – unsecured	–	1,915
	359,640	352,148



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

18. BORROWINGS (Continued)

At 30 June 2022, the borrowings were repayable as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Carrying amount repayable:		
On demand or within one year	357,640	350,148
Within a period more than one year but not exceeding five years	2,000	2,000
	359,640	352,148
	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Borrowings at:		
– Bank borrowings at floating interest rate	127,355	123,096
– Other secured borrowings at fixed interest rate	7,190	8,570
– Non-convertible note at fixed interest rate	94,071	89,936
– Non-convertible bond at fixed interest rate	131,024	128,631
– Unsecured bank borrowing at fixed interest rate	–	125
– Other unsecured borrowing at fixed interest rate	–	1,790
	359,640	352,148

As at 30 June 2022, the non-convertible bond of approximately RMB131,024,000 was secured by, among others, 816,000,000 ordinary shares of the Company by Zhan Rui Investments Limited (“Zhan Rui”), as summarized in the Company’s announcement dated 28 September 2016. Mr. Cai Chenyang, the Chief Executive Officer, executive Director and substantial shareholder of the Group, was deemed to be interested in 816,000,000 ordinary shares of the Company, which were held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.

The borrowings were denominated in RMB and HKD. The borrowing of approximately RMB236,740,000 was denominated in HKD for the six months ended 30 June 2022 (for the year ended 31 December 2021: approximately RMB226,743,000).



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

18. BORROWINGS (Continued)

The contractual floating and fixed interest rates per annum in respect of borrowings were within the following ranges:

	As at 30 June 2022 % (Unaudited)	As at 31 December 2021 % (Audited)
Floating rate	4.15–6.96	5.00–6.96
Fixed rate	5.00–12.00	5.00–18.00

On 28 September 2016, the Company and Vandi Investments Limited (“the Investor”), a limited liability company incorporated in the British Virgin Islands (“BVI”) indirectly and wholly-owned by CCB International (Holdings) Limited and Mr. Cai Chenyang, entered into the subscription agreement (the “Subscription Agreement 2”) in respect of the issue of the non-convertible note (“Note”) in the principal amount of HK\$110,000,000 equivalent to approximately RMB95,071,000 due 2018 with an annual interest rate of 6.0% payable semi-annually and bearing an administrative fee of 2.0% per annum which was deducted as a lump sum from the issue price at the closing of the subscription and issue of the Note on 13 October 2016.

Unless previously redeemed, or purchased and cancelled, the Company will redeem all the outstanding Note held by the noteholder on the date falling 2 years after the issue date of the Note at an amount equal to the aggregate of: (a) the aggregate principal amount of such outstanding Note held by such noteholder; and (b) any accrued but unpaid interest on such outstanding Note.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

18. BORROWINGS (Continued)

The collaterals for the Group's bank borrowings are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Property, plant and equipment	52,276	52,276
Right-of-use assets	2,588	2,588
	54,864	54,864

As at 30 June 2022, the bank borrowings of approximately RMB114,920,000 (as at 31 December 2021: approximately RMB114,920,000) were secured by pledge/charge over the Group's property, plant and equipment and right-of-use assets, and secured by guarantees provided by (i) the Company and its subsidiaries; (ii) Mr. Cai Haifang, who is the director of the Company and his wife and Mr. Cai Chenyang, bank borrowing of RMB8,176,000 (as at 31 December 2021: approximately RMB8,176,000) was only secured by guarantee of Mr. Cai Chenyang, who was chairman of the Board, chief executive officer, executive director and controlling shareholder of the Company.

As at 30 June 2022, the borrowing of approximately RMB8,570,000 was guaranteed by the subsidiaries of the Company.

As at 30 June 2022, the non-convertible bond of approximately RMB131,024,000 (as at 31 December 2021: RMB128,631,000) and non-convertible note of approximately RMB94,071,000 (as at 31 December 2021: RMB89,936,000) were secured by, among others, 816,000,000 ordinary shares of the Company by Zhan Rui, as summarized in the Company's announcement dated 28 September 2016. Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Company, was deemed to be interested in 816,000,000 ordinary shares of the Company, which were held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

Some of the Group's financial assets and liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Type	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 (RMB'000)	31 December 2021 (RMB'000)		
Biological assets				
Breeder hogs and commodity hogs	80,562	110,742	Level 2	The fair value less costs to sell of breeder hogs and porkers are determined using market approach with reference to the market determined prices of items with similar age, weight and breeds

The Directors consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated interim financial statements approximate their fair values.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

20. SHARE OPTION SCHEME

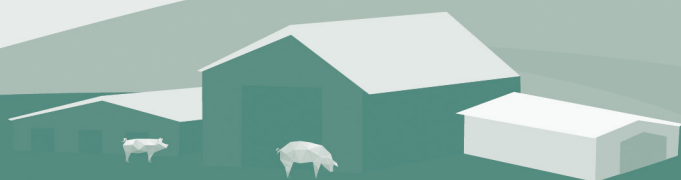
Detail of the share option scheme of the Company

The purpose of the share option scheme approved and adopted by the Company on 22 June 2012 and becoming effective on 13 July 2012 (the “Share Option Scheme”) is to recognise and motivate the contribution of its participant (including any employees, Directors, or proposed director of any member of the Group, consultant, adviser, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group) and to provide incentives and help the Company to retain its existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

The Company, by resolution in general meetings, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in respect of any option granted but not exercised the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the effective date of the Share Option Scheme, after which no further options will be granted but in respect of any option granted but not exercised the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any such options.

The total number of shares (“Shares”) in the share capital of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of Shares in issue as at the effective date of the Share Option Scheme. The Company may seek approval of its shareholders in general meeting to refresh the said 10% limit provided that the limit so refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshment (i.e. 80,000,000 shares with par value of HK\$0.1 each (equivalent to 160,000,000 shares with par value of HK\$0.05 each after the share subdivision of each share in the Company of par value of HK\$0.1 each into 2 shares of par value of HK\$0.05 each on 2 July 2015) (the “Share Subdivision”), which represent 10% of the total number of issued shares as at 29 June 2015, the date on which the scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting of the Company). Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time (i.e. 480,000,000 Shares which represent 30% of the issued share capital as at the date of this interim report).

No participant of the Share Option Scheme may be granted option(s) which would result in the total number of Share issued and to be issued upon exercise of all options granted to him (including exercised, cancelled and outstanding options) in any 12 months period up to and including the date of such grant exceed 1% of the Shares in issue for the time being unless such grant has been approved by shareholders of the Company in general meeting with such grantee and his associate abstaining from voting.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

20. SHARE OPTION SCHEME (Continued)

Detail of the share option scheme of the Company (Continued)

Under the Share Option Scheme, where any grant of options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by shareholders, and the grantee, his associates and all connected persons of the Company must abstain from voting in favour at the relevant general meeting.

To accept an option, the grantee of the option shall remit in favour of the Company of HK\$1.00 as consideration for the grant and return to the Company the duplicate of the letter granting the option comprising the acceptance of the option duly signed by the grantee before 5:00 p.m. on the 20th business day following the date of the said grant letter.

Unless otherwise determined by the Board and stated in the letter granting the option, there is no minimum period required under the Share Option Scheme for which an option must be held before it can be exercised. Subject to such period as may be determined by the Board and other restrictions under the Share Option Scheme, options granted under the Share Option Scheme must be exercised within 10 years from the date on which the options shall be offered to the grantee.

As at 30 June 2022, the number of shares available for issue under the Share Option Scheme were 98,200,000 ordinary shares, representing 5.2% of the number of issued shares of the Company.

On 31 March 2015, the Company granted shares option to subscribe for 80,000,000 shares with par value of HK\$0.1 each (i.e. 160,000,000 ordinary shares with par value of HK\$0.05 each after the Share Subdivision under the Share Option Scheme of which options to subscribe for 79,840,000 ordinary shares with par value of HK\$0.1 each (i.e. 159,680,000 ordinary shares with par value of HK\$0.05 each after adjustment as a result of the Share Subdivision) were accepted by the grantees. The exercise price of those share options is HK\$0.595 per share with par value of HK\$0.05 each after adjustment as a result of the Share Subdivision. The closing price of the share (with par value of HK\$0.1 each) immediately before the date of grant is HK\$1.16 (i.e. HK\$0.58 after adjustment as a result of the Share Subdivision).

Options series	Remained Number	Grant date	Exercisable date	Expiry date	Exercise price HK\$
(1) Granted on 31 March 2015	26,920,000	31/03/2015	31/12/2015	30/03/2025	0.595
(2) Granted on 31 March 2015	34,460,000	31/03/2015	31/12/2016	30/03/2025	0.595
(3) Granted on 31 March 2015	36,820,000	31/03/2015	31/12/2017	30/03/2025	0.595



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

20. SHARE OPTION SCHEME (Continued)

Detail of the share option scheme of the Company (Continued)

The following table discloses the terms, conditions and movements of the Company's share options:

Grantee	Exercisable period	Exercisable price per shares (HK\$)	Balance as at	Lapsed during the year (‘000)	Balance as at
			31 December 2020 and 1 January 2021 (‘000)		31 December 2021 (‘000)
Executive Directors					
– Mr. Cai Chenyang	(1) 31 Dec 2015 to 30 Mar 2025	0.595	21,000	–	21,000
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	24,960	–	24,960
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	26,480	–	26,480
– Mr. Cai Haifang	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,220	–	1,220
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	–	1,600
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	–	1,600
Employees of the Group					
	(1) 31 Dec 2015 to 30 Mar 2025	0.595	4,700	–	4,700
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	7,900	–	7,900
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	8,740	–	8,740
			98,200	–	98,200



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

20. SHARE OPTION SCHEME (Continued)

Detail of the share option scheme of the Company (Continued)

Grantee	Exercisable period	Exercisable price per shares (HK\$)	Balance as at		Balance as at 30 June 2022 (‘000)
			31 December 2021 and 1 January 2022 (‘000)	Lapsed during the year (‘000)	
Executive Directors					
– Mr. Cai Chenyang	(1) 31 Dec 2015 to 30 Mar 2025	0.595	21,000	–	21,000
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	24,960	–	24,960
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	26,480	–	26,480
– Mr. Cai Haifang	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,220	–	1,220
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	–	1,600
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	–	1,600
Employees of the Group					
	(1) 31 Dec 2015 to 30 Mar 2025	0.595	4,700	–	4,700
	(2) 31 Dec 2016 to 30 Mar 2025	0.595	7,900	–	7,900
	(3) 31 Dec 2017 to 30 Mar 2025	0.595	8,740	–	8,740
			98,200	–	98,200

Notes:

- (a) The share options were vested upon granted and recognised equity-settled share-based payment expense over vesting period.
- (b) The exercise price of the Share Options was subject to adjustments in the case of capitalization of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Group.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

20. SHARE OPTION SCHEME (Continued)

Fair value of share options and assumptions

The estimate of fair values of the share options granted were calculated by the Valuer using binomial model. The significant assumptions and inputs used in computing the fair value are based on the management's best estimate. The significant inputs into the model were spot share price at grant date, exercise price, expected volatilities, dividend and exercise multiple for Directors and selected employee.

The value of the share options calculated using the binomial model is subject to the fundamental limitations of the model and the uncertainties of those significant assumptions and inputs. Any change to those assumptions and inputs may result in changes in the fair value of the share options.

Assumptions and inputs adopted in the valuation are listed below:

	Start from 31/12/2015	Start from 31/12/2016	Start from 31/12/2017
Fair value at measurement date (HK\$'000) (Note (a))	11,058	17,312	20,750
Share price at grant date 31 March 2015 (HK\$)	0.580	0.580	0.580
Exercise price (HK\$)	0.595	0.595	0.595
Expected volatility (Note (b))	53.16%	53.16%	53.16%
Dividend yield	Nil	Nil	Nil
Risk-free interest rate (Note (c))	1.48%	1.48%	1.48%
Option Life	10 years	10 years	10 years
Exercise multiple – Directors (HK\$) (Note (d))	2.75	2.75	2.75
Exercise multiple – Employee (HK\$) (Note (d))	2.20	2.20	2.20
Fair value per option – Directors (HK\$)	0.3100	0.3159	0.3241
Fair value per option – Employee (HK\$)	0.2799	0.2923	0.3059

Notes:

- Fair value of all the share options granted at 31 March 2015 were HK\$49,120,000 equivalent to approximately RMB38,697,000. After 54 staffs declined the share options to subscribe for a total of 60,020,000 shares, the adjusted fair value of all the share options granted and accepted was HK\$31,200,000 equivalent to approximately RMB25,000,000. As the vesting period has finished during the year 31 December 2017, the Group did not recognize equity-settled share-based payment expense in the profit and loss for the six months ended 30 June 2022 (2021: RMBNil).
- Volatility represents annualized standard deviation of the weekly return of stock price of GCHE.m, 600975.ch and 002505.ch.
- Risk free rate represents the yields to maturity of respective HKD Hong Kong Sovereign Curve.
- The exercise multiple defines the early exercise strategy by assuming that early exercise happens when the stock price is the certain multiple of the exercise price.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

21. CAPITAL COMMITMENTS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Capital expenditure contracted but not provide for in respect of acquisition of property, plant and equipment	47,096	47,096

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial information were approved and authorized for issue by the Board of Directors of the Company on 12 December 2022.



Other Information

COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

Pursuant to the bond instruments constituting the non-convertible bond (the “Non-Convertible Bond”, Note 18) and the Note issued by the Company to the Investor, the holders of the Non-Convertible Bond and the Note shall have the right to require the Company to redeem the Non-Convertible Bond and the Note in full during the continuance of the events of default. The events of default are, among others, the cessation of Mr. Cai Chenyang, an indirect controlling shareholder of the Company and the chairman of the Board, as the single largest shareholder (taking into account his indirect shareholding in the Company) or the controlling shareholder of the Company, the cessation of Mr. Cai Chenyang as the 100% legal and beneficial owner of the issued shares in Zhan Rui, the resignation or cessation of Mr. Cai Chenyang as the chairman of the Board, and Mr. Cai Chenyang defaults in the performance or observance of any terms of the security documents (including the breach of representations and undertakings of Mr. Cai Chenyang under the New Share Charge Deed as set out in the announcement of the Company dated 28 September 2016) and such default (i) is incapable of remedy or (ii) being a default which is, in the opinion of the bondholders, capable of remedy, remains unremedied for 14 days after the bondholders have given written notice thereof to the Company.

SHARE CHARGE BY THE CONTROLLING SHAREHOLDER

On 13 October 2016, Zhan Rui and Mr. Cai, the controlling shareholders of the Company, entered into a deed of share charge (the “New Share Charge Deed”) in favour of Investor, pursuant to which (i) Zhan Rui shall charge by way of fixed charge all its right, title and interest from time to time in and to the 816,000,000 ordinary shares; (ii) Mr. Cai shall, after exercising any of his options to subscribe for shares in the Company and thereby becoming the legal and beneficial owner of the option shares (“Mr. Cai Option Shares”) and within the prescribed time as set out in the New Share Charge Deed, transfer all such Mr. Cai Option Shares to Zhan Rui and deposit all such Mr. Cai Option Shares into a designated account maintained with CCB International Securities Limited by Zhan Rui; and (iii) Mr. Cai and Zhan Rui have agreed that each such Mr. Cai Option Share shall form part of the properties subject to security constituted by the New Share Charge Deed, as continuing security for the payment and discharge of all obligations at any time due, owing or incurred by the Company, Zhan Rui, Mr. Cai or any of their respective affiliates to the Investor under or pursuant to, among others, the relevant subscription agreement, the bond instrument constituting the Convertible Bond, the note instrument constituting the Note and the New Share Charge Deed.



Other Information (continued)

DISCLOSURE OF INTERESTS

Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 30 June 2022, the interests and short positions of the Directors and chief executive in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”)) as recorded in the register of interest required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules (the “Model Code”) were as follows:

Long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares and underlying shares of the Company held	Approximate percentage of the issued share of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation and beneficial owner	1,078,440,000	57.09%
Mr. Cai Haifang (Note 2)	Beneficial owner	4,420,000	0.23%
Ms. Ma Yilin (Note 3)	Beneficial owner	12,976,000	0.69%

Notes:

- (1) Among the 1,078,440,000 shares/underlying shares held, Mr. Cai Chenyang is deemed to be interested in 1,006,000,000 shares of the Company, which are held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang, while he holds derivative interest in 72,440,000 underlying shares as beneficial owner pursuant to physical settled equity derivatives.
- (2) Mr. Cai Haifang held derivatives interest in 4,420,000 underlying shares in the Company as beneficial owner pursuant to physically settled equity derivatives.
- (3) Ms. Ma Yilin is deemed to be interested in 12,976,000 shares of the Company.

Short position in the shares and underlying shares of the Company

Name	Nature of interest	Number of shares/underlying shares of the Company held	Approximate percentage of the issued share of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation	1,078,440,000	57.09%



Other Information (continued)

Note:

- (1) Mr. Cai Chenyang, through Zhan Rui, a corporation controlled by him, is deemed to have a short position of 1,006,000,000 shares of the Company, among which 816,000,000 ordinary shares of the Company were charged to Vandi Investments Limited. Mr. Cai Chenyang also had a short position of 72,440,000 underlying shares of the Company, which is a short position over unlisted physically settled equity derivatives.

Interest in associated corporation – long position in the shares of Zhan Rui

Name	Nature of interest	Number of shares	Approximate percentage of the issued share of the associated corporation
Mr. Cai Chenyang	Beneficial owner	1,000	100%

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, the interest or short position of the persons (other than the Directors or chief executive of the Company) in shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary Shares/ underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui (Note 1)	Beneficial owner	1,078,440,000	57.09%
Sze Ching Lau	Beneficial owner	100,476,000	5.32%
BCAGI	Beneficial owner	99,000,000	5.24%
China Construction Bank Corporation (Note 2)	Interest of controlled corporation/ security interest in shares	816,000,000	43.20%
Central Huijin Investment Ltd. (Note 3)	Interest of controlled corporation/ security interest in shares	816,000,000	43.20%

Other Information (continued)

Notes:

- (1) Zhan Rui held 1,006,000,000 shares in the Company. Zhan Rui was also interested in 72,440,000 underlying shares of the Company pursuant to its interests in unlisted physically settled equity derivatives.
- (2) Such long position includes security interests in 816,000,000 shares of the Company held by Vandí Investments Limited, a corporation 100% indirectly controlled by China Construction Bank Corporation.
- (3) Such long position includes security interests in 816,000,000 shares of the Company held by Vandí Investments Limited, a corporation 100% indirectly controlled by China Construction Bank Corporation (of which Central Huijin Investment Ltd. has 57.31% control).

Short position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary Shares/ underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui (Note 1)	Beneficial owner	1,078,440,000	57.09%

Note:

- (1) Zhan Rui is deemed to have a short position of 1,006,000,000 shares of the Company, which included 816,000,000 ordinary shares has been charged to Vandí Investments Limited. Zhan Rui also had a short position of 72,440,000 underlying shares of the Company, which is a short position over unlisted physically settled equity derivatives.

Save as disclosed above, as at 30 June 2022, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reviewed Period.



Other Information (continued)

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. Save as disclosed below, none of the Directors is aware of any information which would reasonably indicate that the Company has not, during the Reviewed Period, complied with all applicable code provisions of the Code.

Code Provision A.2.1 of the Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cai Chenyang is both the chairman (the “Chairman”) of the Board and the chief executive officer (the “CEO”) of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operation of the Company. The Board believes that this structure, in the period of rapid business development of the Company, is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cai Chenyang and believes that having Mr. Cai Chenyang performing the roles of both the chairman and the CEO is beneficial to the business prospect of the Group.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the code provisions of the Model Code as its code of conduct regarding directors’ securities transactions. Having made specific enquiry with all the Directors, all Directors 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 for the six months ended 30 June 2022.

AUDIT COMMITTEE

The audit committee of the Board (the “Audit Committee”) comprises three independent non-executive directors, namely Mr. Xue Chaochao, Mr. Ke Qingming and Mr. Wang Aiguo. The Audit Committee is chaired by Mr. Xue Chaochao.

The Audit Committee had reviewed the Group’s unaudited condensed consolidated financial statements for the Reviewed Period, including the accounting principles adopted by the Group, and took the view that the Company was in full compliance with all applicable accounting standards and regulations and adequate disclosures had been made.



Other Information (continued)

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme which had become effective upon the commencement of dealings of the Shares on the Stock Exchange on 13 July 2012. On 31 March 2015, the Company granted shares option to subscribe for 80,000,000 shares with par value of HK\$0.1 each (i.e. 160,000,000 shares with par value of HK\$0.05 each after the Share Subdivision under the Share Option Scheme of which options to subscribe for 79,840,000 shares with par value of HK\$0.1 each (i.e. 159,680,000 shares with par value of HK\$0.05 each after adjustment as a result of the Share Subdivision) were accepted by the grantees. The exercise price of those share options is HK\$0.595 per share with par value of HK\$0.05 each after adjustment as a result of the Share Subdivision. The closing price of the share (with par value of HK\$0.1 each) immediately before the date of grant is HK\$1.16 (i.e. HK\$0.58 after adjustment as a result of the Share Subdivision).

The following table discloses the terms, conditions and movements of the Company's share options during the period under review:

Grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Balance as at	Lapsed/ cancelled during the period (^{'000})	Exercised during the period (^{'000})	Balance as at 30 June 2022 (^{'000})
				31 December 2021 and 1 January 2022 (^{'000})			
Executive Directors							
– Mr. Cai Chenyang	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	21,000	–	–	21,000
	31 March 2015	(1) 31 Dec 2016 to 30 Mar 2025	0.595	24,960	–	–	24,960
	31 March 2015	(1) 31 Dec 2017 to 30 Mar 2025	0.595	26,480	–	–	26,480
– Mr. Cai Haifang	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	1,220	–	–	1,220
	31 March 2015	(1) 31 Dec 2016 to 30 Mar 2025	0.595	1,600	–	–	1,600
	31 March 2015	(1) 31 Dec 2017 to 30 Mar 2025	0.595	1,600	–	–	1,600
Employees of the Group	31 March 2015	(1) 31 Dec 2015 to 30 Mar 2025	0.595	4,700	–	–	4,700
	31 March 2015	(1) 31 Dec 2016 to 30 Mar 2025	0.595	7,900	–	–	7,900
	31 March 2015	(1) 31 Dec 2017 to 30 Mar 2025	0.595	8,740	–	–	8,740
				98,200	–	–	98,200

Notes:

- No share options were granted during the period under review.
- Share options granted are vested at the commencement of the relevant exercise period of such share options.
- The exercise price of the share options was subject to adjustments in the case of capitalization of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Group.



Other Information (continued)

Set out below is a summary of the Share Option Scheme:

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and motivate the contribution of employees (which include full time and part time employee(s), executive and non-executive Director(s) and proposed executive and non-executive Director(s)) of the Group and other person(s) who may make a contribution to the Group and to provide incentives and help the Company retain its existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Participants of the Share Option Scheme

The participants of the Share Option Scheme (the "Participant") to whom options may be granted by the Board shall include any full time or part time employee (including any executive and non-executive Director(s) and proposed executive and non-executive Director(s)), advisor, consultant, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group.

Total number of Shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue as at the date of the annual general meeting held on 29 June 2015, at which the scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the Shareholders, i.e. 160,000,000 shares with a par value of HK\$0.05 each after the Share Subdivision. In addition, the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted (including exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant to each Participant under the Share Option Scheme shall not exceed 1% of the Shares for the time being in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting with the grantee and his associates abstaining from voting. Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.



Other Information (continued)

Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not be more than 10 years from the date on which an option is granted to any Participant and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

Payment on acceptance of option offer

To accept an option, the grantee of the option shall remit in favour of the Company of HK\$1.00 as consideration for the grant and return to the Company the duplicate of the letter granting the option comprising the acceptance of the option duly signed by the grantee before 5:00 p.m. on the 20th business day following the date of the said grant letter.

Basis of determining the exercise price

The exercise price for the share under the Share Option Scheme will be a price determined by the Board at its absolute discretion at the time of the grant of the relevant option and notified to each grantee but in any case will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the five trading days immediately preceding the date of the grant; or (iii) the nominal value of a share.





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