

五谷磨房

Natural Food International Holding Limited
五谷磨房食品國際控股有限公司

(Registered by way of continuation in the Cayman Islands with limited liability)

Stock Code: 1837

INTERIM REPORT 2024

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. GUI Changqing
Mr. ZHANG Zejun

Non-executive Directors

Ms. TSE Cheung On Anne
Mr. WANG Duo

Independent Non-executive Directors

Mr. ZHANG Senquan
Mr. HU Peng
Mr. OUYANG Liangyi

AUDIT COMMITTEE

Mr. ZHANG Senquan (Chairman)
Mr. HU Peng
Mr. OUYANG Liangyi

REMUNERATION COMMITTEE

Mr. HU Peng (Chairman)
Mr. ZHANG Senquan
Mr. OUYANG Liangyi

NOMINATION COMMITTEE

Mr. OUYANG Liangyi (Chairman)
Ms. GUI Changqing
Mr. HU Peng

COMPANY SECRETARY

Mr. YUEN Sing Wai Lester, HKICPA

HONG KONG LEGAL ADVISOR

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

AUTHORISED REPRESENTATIVES

Mr. ZHANG Zejun
Mr. YUEN Sing Wai Lester, HKICPA

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 01837

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

7th Floor, West Tower
Baidu International Building
No. 8 Haitian 1st Road
Binhai Community, Yuehei Street
Nanshan District
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1003, 10th Floor, Asia Standard Tower,
59-65 Queens Road Central,
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

<http://www.szwgmf.com>

Corporate Information

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27th Floor, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Merchants Bank
Ping An Bank
Bank of Communications
Bank of Beijing
China Resources Bank of Zhuhai

Management Discussion and Analysis

BUSINESS REVIEW

Brand Building and Marketing

Embracing a beautiful vision of becoming the No.1 brand in the New-Chinese style food and recuperation field, we have formed a product portfolio with the diet therapy as our core concept and the health as our fundamental basis. Underlying the traditional Chinese “Homology of medicine and food” ancient dietetic recipes and combined with modern nutriology, we insist on protecting customers’ health through food therapy and making functional foods that everyone in the family can eat without worries through the years. Our main products include dietetic grain powder, Chinese-style dietetic snacks, etc., which inject health and vitality into our consumers within a pleasant and energetic day in the form of nutritious breakfast or healthy snacks.

The year 2024 marks the 18th anniversary of Natural Food’s establishment. Taking life as an analogy, Natural Food ushered in her Adulthood Ceremony, there is a broader and brighter future ahead waiting for her to explore.

For a long time, we have been favored by consumers as the representative brand of “healthy food”. In the past more than ten years of development, we have become more and more aware of the value which we bring to consumers, that is, based on Chinese-style food therapy, bringing consumers well-produced Chinese nutritional cereal products with proper ingredients, correct matching and decent craftsmanship. Therefore, we cooperated with a well-known strategic company providing brand strategy to upgrade our brand strategy as “Wugu Mofang, Nutritious and Healthcare” at the beginning of the year.

With this, we convey our core value of taking Wugu Mofang, our nutritious and healthcare products, to consumers under the concept of following the nature and times through various promotion marketing measures, such as digital marketing, celebrity cooperation, and cooperation with professional organizations by processing selected ingredients inherited by ancient recipes with fine craftsmanship. In our communications with consumers, we carefully display our selected premier ingredients as dietary nourishment and process them one by one uniquely by ancient prescriptions with patented grinding technology through pictures, words, live broadcasts, ingredients illation and other forms.

Products

We believe that a flagship product will enable our brand to be well understood and remembered by consumers, thus helping us to form a distinctive brand image. Therefore, we focus on creating our flagship product “Walnut Sesame Black Bean Powder” (核桃芝麻黑豆粉) that combines nutrition with taste under the concept of Chinese diet and healthcare. By conveying high-quality ingredients, rational matching, and benefits to health to our consumers through new channels and e-commerce platforms, this flagship product receives favours from consumers in general.

To meet consumers’ increasing demand for maintaining health, we seize the opportunity of despatching healthy foods as gifts during festive seasons. Thus, we have launched numerous gift boxes to meet consumers’ needs for healthy gifts during festivals, including “Nutritional Gift Box” (食養禮盒), “Natural Nutritional Gift Box” (自然之養禮盒) and “Evergreen Gift” (常青禮). During the Lunar Chinese New Year in 2024, our “Nutritious Gift Box” sales for the Spring Festival recorded excellent performance online and offline.

We have also developed various products based on the 24 solar terms to make promotions according to the times. One of our products, “Dampness Gone” (濕无蹤, Prebiotics Yellow Coix Seed Meal Replacement Powder) is popular among consumers this summer and achieved exciting sales records online and offline.

Management Discussion and Analysis

Distribution Channels

Concessionary Counters Business

The concessionary counters business is not only one of our important sales channels, it is also an important window for a brand to face consumers directly.

Despite our observations that the overall offline retail trade development was under the tremendous impact of online e-commerce development in the past few years, there are still many supermarkets with considerable value of consumer experience thriving against this trend. Hence, we realize that offline retail trade will not be extinguished due to booming online e-commerce development. Instead, it possesses a distinguishing development advantage as it could provide consumers with experiential and immersive experiences. Triggered by this, we constantly think in-depth about the upgrade and development direction of our offline concessionary counters business in the future, specifically how we can seize the opportunity of rapidly developing retail trade with experiential mode by providing better and fresher on-site experiences.

E-commerce

E-commerce channels have developed rapidly and vigorously in recent years, the landscape has gradually changed from being occupied by traditional e-commerce platforms such as Taobao, Tmall and JD.com to the balanced development of traditional e-commerce, and social e-commerce represented by Douyin and Kuaishou. As a result, we have developed differentiated marketing directions and sales strategies for different e-commerce platforms, continued to deepen cooperation with each platform, accelerated the penetration into more online channels and conducted precise marketing for different target consumer groups to meet the diversified needs of consumers.

On the traditional e-commerce platforms, we attach great importance to precise delivery and carry out broadcasting through the platform's diversified marketing activities and key marketing nodes. We adhere to standard and regulated operation criteria to ensure that contents are in line with brand image, bringing consumers a good online shopping experience. On the social e-commerce platforms, we quickly promote the marketing and sales of flagship products through a combination of self-live streaming, KOL engagement and brand marketing.

New channels

With the increasing living standards of residents and the rapid development of membership-based high-end and boutique supermarkets, we seize the opportunity to cooperate with representative enterprises of membership-based supermarkets and leverage our brand advantages and supply chain advantages to offer them customized products, keep on innovating and achieve rewarding results.

In addition, we continue to develop high-potential distributors to distribute our products to a wider outlet network and benefit more consumer groups.

FUTURE OUTLOOK

Health food, as an area of increasing consumer concern, is full of broad development opportunities. With the change of distribution channels and the deepening awareness of health by consumers, through establishing a strong brand imprint, we can achieve consumer recognition, and have a broad range of distribution channels that will bring more potential opportunities for our future development.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group sells its products through an extensive network of offline concessionary counters, new channel networks as well as online channels, including major e-commerce platforms and WeChat member stores. The following table sets out details of the Group's revenue by sales channel, each expressed in the absolute amount and as a percentage to the total revenue of the Group, for the period indicated:

	For the six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Offline channels	535,568	54.0	478,709	54.8
Offline concessionary counter	385,833	38.9	367,862	42.1
New channel business	149,735	15.1	110,847	12.7
Online channels	456,815	46.0	395,144	45.2
E-commerce platforms (including WeChat member stores)*	456,815	46.0	395,144	45.2
Total	992,383	100.0	873,853	100.0

* Due to analysis need, the revenue arising from WeChat member stores during the Reporting Period was included in the revenue of the e-commerce platform (the corresponding period in 2023: Offline concessionary counter). The total revenue for the six months ended 30 June 2023 remains unchanged, and the classified revenue has been updated to comply with the current classification method.

For the six months ended 30 June 2024 (the "Reporting Period"), the absolute amount of revenue generated from sales through the offline and online channels both increased as compared to the six months ended 30 June 2023, among which, the absolute amount of revenue generated from sales through online channels increased by a larger margin. The overall increase in revenue generated from sales through online channels was mainly attributable to the successful promotion of brands and the contribution from new products and Nutritional Gift Box.

During the Reporting Period, as a percentage to the total revenue, revenues generated from sales through the offline channels was 54.0% of the total revenue, slightly decreased from the corresponding period in 2023 (the corresponding period in 2023: 54.8%), while revenues generated from sales through the online channels was 46.0% of the total revenue (the corresponding period in 2023: 45.2%).

Management Discussion and Analysis

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 8.6% from RMB315.4 million for the corresponding period in 2023 to RMB342.4 million for the Reporting Period, which was mainly attributable to (i) an increase in sales volume and production volume that led to higher usage of raw materials and inventory movements of finished goods and work in progress; and (ii) an increase in the indirect labour cost.

Gross profit of the Group increased from approximately RMB558.5 million for the corresponding period in 2023 to approximately RMB650.0 million for the Reporting Period. The gross profit margin increased from 63.9% for the corresponding period in 2023 to 65.5% for the Reporting Period, which was mainly due to the growth in overall revenue and a slight increase in cost, having benefited from the decrease in the purchase prices of raw materials and packaging materials as compared to the corresponding period.

Other Income and Gains

Other income and gains of the Group decreased from approximately RMB10.8 million for the corresponding period in 2023 to approximately RMB9.1 million for the Reporting Period, which was mainly attributable to a decrease in income from bank wealth management product and government subsidies.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of advertising and promotional expenses, commission expense, labour service expense of salesmen, salary and employee benefit expenses, sales promotion expenses and others. The selling and distribution expenses increased from approximately RMB426.4 million for the corresponding period in 2023 to approximately RMB512.2 million for the Reporting Period, which was mainly attributable to the increase in advertising and promotional expenses and commission expense in line with the sales growth.

Administrative Expenses

The Group's administrative expenses primarily comprise salary and employee benefit, other taxes and fees, intermediary service expenses, depreciation and amortisation expense, research and development expenses, among others. The administrative expenses decreased from approximately RMB41.3 million for the corresponding period in 2023 to approximately RMB40.3 million for the Reporting Period. Such decrease was due to the relative reduction in administrative salaries and employee benefit expenses as a result of the organizational restructuring during the Reporting Period.

Impairment of Financial Assets

The Group recorded a reversal of financial assets of approximately RMB121 thousand for the Reporting Period, while the Group recorded an impairment of financial assets of approximately RMB40 thousand for the corresponding period in 2023, which was mainly attributable to the shorter ageing of trade receivables at the end of the period, which was better recovered.

Management Discussion and Analysis

Other Expenses

Other expenses of the Group increased from approximately RMB388 thousand for the corresponding period in 2023 to approximately RMB955 thousand for the Reporting Period primarily due to the increase in donation expenses and other non-operating expenses.

Finance Costs

During the Reporting Period, the Group's finance costs decreased from approximately RMB205 thousand for the corresponding period in 2023 to approximately RMB109 thousand, primarily attributable to a decrease in the interest expense on lease liabilities resulting from an increase in short-term and low-value leases.

Profit before Tax

As a result of the foregoing, the Group recorded a profit before tax of approximately RMB105.8 million for the Reporting Period, while a profit before tax of approximately RMB101.0 million for the corresponding period in 2023.

Income Tax Expense

The Group's income tax expense was RMB15.6 million for the Reporting Period, while the income tax expense was RMB17.8 million for the corresponding period in 2023, which was mainly due to the increase in tax-free income resulting in a lower effective tax rate.

Profit for the Period

The Group recorded a profit of approximately RMB90.1 million for the Reporting Period, while a profit of approximately RMB83.2 million was recorded for the corresponding period in 2023, representing an increase of approximately 8.3%.

Management Discussion and Analysis

FINANCIAL RESOURCES REVIEW

Working Capital and Financial Resources

	As at 30 June 2024 (RMB million)	As at 31 December 2023 (RMB million)
Trade and bills receivables	190.3	217.8
Trade payables	72.6	97.3
Inventories	69.1	93.5
Trade receivables turnover days ⁽¹⁾	37	40
Trade payables turnover days ⁽²⁾	45	50
Inventory turnover days ⁽³⁾	43	48

Notes:

- (1) Trade receivables turnover days = 365 days x (average balance of trade and bills receivables at the beginning and at the end of the relevant period)/revenue in the reporting period.
- (2) Trade payables turnover days = 365 days x (average balance of the trade payables at the beginning and at the end of the relevant period)/cost of sales in the reporting period.
- (3) Inventory turnover days = 365 days x (average balance of inventory at the beginning and at the end of the relevant period)/cost of sales in the reporting period.

The decrease in trade and bills receivables was primarily attributable to good collection of trade receivables and the shorter ageing of trade receivables at the end of the period. During the Reporting Period, the trade receivables turnover days were 37 days (for the year ended 31 December 2023: 40).

The decrease in trade payables was mainly attributed to the tight control of the credit terms granted from suppliers. During the Reporting Period, the trade payables turnover days were 45 days (for the year ended 31 December 2023: 50).

The inventories book value was approximately RMB69.1 million as at 30 June 2024 (31 December 2023: RMB93.5 million). The decrease in inventories and the decrease in inventory turnover days was primarily attributable to the Group's implementation of rigid inventory control measures during the Reporting Period.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2024, the Group's cash and bank deposits amounted to RMB999.1 million, representing an increase of approximately 5.9% from RMB943.8 million as at 31 December 2023.

During the Reporting Period, the Group's primary uses of cash were payment to suppliers, daily operating expenses, renovation and maintenance of plant, purchase of items of equipment, purchase of time deposit and financial assets (i.e. wealth management product) at fair value through profit or loss. The Group financed its liquidity requirements through cash flows generated from its operating activities.

As at 30 June 2024, the Group had no interest-bearing borrowings (31 December 2023: nil).

Net cash flows from operating activities were RMB142.2 million in the Reporting Period, as compared with net cash flows from operating activities of RMB102.7 million in the corresponding period in 2023. Net cash flows from investing activities were RMB89.7 million in the Reporting Period, as compared with net cash used in investing activities of RMB3.8 million in the corresponding period in 2023. Net cash used in financing activities were RMB73.9 million in the Reporting Period, as compared with net cash used in financing activities of RMB3.3 million in the corresponding period in 2023.

As at 30 June 2024, the Group had net current asset of RMB1,063.4 million, as compared with net current asset of RMB1,033.5 million as at 31 December 2023.

Capital Commitments

As at 30 June 2024, the Group had contracted but not provided for capital commitments of approximately RMB0.6 million, which were primarily related to the purchase of property, plant and equipment to be used for the construction of new manufacturing facility in Nansha District, Guangzhou, as compared with the total amount of capital expenditures contracted for but not yet incurred of RMB5.0 million as at 31 December 2023.

Currency Exposure and Management

The Group operates its business in China and conducts domestic business in RMB. Substantially all of the Group's assets are denominated in RMB, and the Group mainly incurs cost in HK\$ and RMB. The Group is exposed to foreign exchange risk with respect mainly to HK\$ which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of the exchange rate between HK\$ and RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

Contingent Liabilities

As at 30 June 2024, the Group had no contingent liabilities (31 December 2023: Nil).

Management Discussion and Analysis

Pledge of Assets

As at 30 June 2024, the Group had no pledge of assets (31 December 2023: Nil).

Interest-bearing Gearing Ratio

As at 30 June 2024, the Group's interest-bearing gearing ratio (calculated by dividing total lease liabilities by total assets as of the end of each reporting period) was approximately 0.8% (31 December 2023: 0.3%).

Employees and Remuneration Policy

As at 30 June 2024, the Group had 685 employees, as compared with 682 employees as at 31 December 2023. For the Reporting Period, costs of employees, excluding Directors' emoluments, amounted to a total of RMB76.5 million, representing an increase of approximately 4.1% from RMB73.5 million during the corresponding period in 2023. The Group will regularly review its remuneration policy and the benefits granted to its employees with reference to market practice and the performance of individual employees. The Company has adopted a sound in-house training policy whereby management, technical and other trainings are provided to employees on a regular basis by in-house trainers or third party consultants.

Determination of directors' remuneration and the remuneration of the senior management of the Company: the remuneration committee of the Company makes recommendations to the Board with reference to the prevailing market remuneration levels, based on the qualifications and experience of each director, their responsibilities undertaken and contribution to the Group. The Board is authorized by the shareholders of the Company at the annual general meeting to determine the directors' remuneration and the remuneration of the senior management, having regard to the Group's operating results, individual performance and comparable market statistics.

Emolument policies of the Group's employees are formulated by management with the authorization by the Board with reference to the qualification and experience of each employee, their responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration for employees of similar position.

Emolument policies include cash and equity incentives. The Group has also adopted a share option scheme and a share award scheme for the purpose of providing incentives to directors, eligible employees and third party service providers. Further details in relation to these schemes will be set out in the "Corporate Governance and Other Information – Share Option Scheme" and "Corporate Governance and Other Information – Share Award Scheme" sections of the interim report of the Company for the six months ended 30 June 2024.

Significant Acquisition, Disposal or Investment

During the Reporting Period, the Group did not have any significant acquisition and disposals of subsidiaries, joint ventures and associated companies, nor significant investment.

Future Plans for Significant Investments or Capital Assets

There were no significant investments or capital asset plans during the Reporting Period and up to the date of this report.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board continues to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

The Company has applied the principles and code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules as its own code of corporate governance.

The Board is of the view that during the six months ended 30 June 2024, the Company has complied with applicable code provisions as set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following specific enquiries made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code during the Reporting Period.

The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the Reporting Period.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests or short positions of the Directors or chief executives of the Company then in office in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Long position in ordinary shares of the Company:

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

Long position in share options (being physically settled unlisted derivatives) of the Company:

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

Notes:

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

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2024, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

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

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Trident Trust Company (HK) Limited, the trustee of the Paddy Aroma Trust, holds the entire issued share capital of Paddy Aroma Investment Limited. Paddy Aroma Investment Limited in turn holds the entire issued share capital of Natural Capital Holding Limited, which in turn directly holds 930,000,000 Shares. The Paddy Aroma Trust is a discretionary trust established by Mr. ZHANG Zejun (as the settlor) and the discretionary beneficiaries of which include Mr. ZHANG Zejun, Ms. GUI Changqing (the wife of Mr. ZHANG Zejun) and his children. Accordingly, each of Mr. ZHANG Zejun, Ms. GUI Changqing, Trident Trust Company (HK) Limited, Paddy Aroma Investment Limited are deemed to be interested in the 930,000,000 Shares held by Natural Capital Holding Limited. For details of interests held by Mr. ZHANG Zejun and Ms. GUI Changqing in the shares and underlying shares of the Company, please refer to the section headed "Corporate Governance and Other Information – Interests and Short Positions of Directors and Chief Executives in the Shares, Underlying Shares and Debentures" of this report.
- (3) Mr. YANG Zhuoya holds 5,990,000 Shares in the capacity as a beneficial owner. Mr. YANG Zhuoya holds the entire issued share capital of Natural Investment Holding Limited and Beadvance Investments Limited, which in turn directly holds 27,794,000 Shares and 150,000,000 Shares respectively. Accordingly, Mr. YANG Zhuoya is deemed to be interested in the 27,794,000 Shares held by Natural Investment Holding Limited and 150,000,000 Shares held by Beadvance Investments Limited.

Save as disclosed above, as at 30 June 2024, so far as the Directors or chief executive of the Company are aware, no other persons (other than a Director or the chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Corporate Governance and Other Information

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and Share Award Scheme as disclosed below, no equity-linked agreements were entered into by the Company or existed during the Reporting Period.

SHARE OPTION SCHEME

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

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

(1) Purpose:

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

(2) Participants:

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

(3) Total number of Shares available for issue:

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

Corporate Governance and Other Information

(4) Maximum entitlement of each participant:

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

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

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

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

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

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

Corporate Governance and Other Information

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

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

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

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

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

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

(8) Basis of determining the exercise price:

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

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

(9) Remaining life of the Share Option Scheme:

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 12 December 2018, subject to earlier termination by the Company in general meeting or by the Board. As at the date of this report, the remaining life of the Share Option Scheme is approximately four years and three months.

Corporate Governance and Other Information

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

As of 30 June 2024, relevant details are set out as follows:

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

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

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

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

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

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

Corporate Governance and Other Information

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

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

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

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

During the six months ended 30 June 2024, 200,000 share options were cancelled and no share options were exercised. As at 30 June 2024, 61,892,503 share options were outstanding.

Corporate Governance and Other Information

Details of the share options granted under the Share Option Scheme and outstanding as at 30 June 2024 are as follows:

Name and class of grantees	Date of grant	Balance as at 1 January 2024	Number of share options			Balance as at 30 June 2024	Exercise price per share (HK\$)	Exercisable period
			Granted during the six months ended 30 June 2024	Exercised during the six months ended 30 June 2024	Cancelled/ Lapsed during the six months ended 30 June 2024			
Executive Directors								
Ms. GUI Changqing	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Mr. ZHANG Zejun	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Independent non-executive Directors								
Mr. ZHANG Senquan	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Mr. HU Peng	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Mr. OUYANG Liangyi	12 June 2019	2,000,000	-	-	-	2,000,000	1.468	Note a
Directors' associates								
Mr. GUI Xuejun (Ms. GUI Changqing's associate)	12 June 2019	1,279,021	-	-	-	1,279,021	1.468	Note b
Mr. ZHANG Zefei (Mr. ZHANG Zejun's associate)	12 June 2019	100,000	-	-	-	100,000	1.468	Note d
		10,000,000	-	-	-	10,000,000		Note e
Continuous contract employees								
	12 June 2019	2,400,000	-	-	200,000	2,200,000	1.468	Note a
	12 June 2019	17,242,503	-	-	-	17,242,503	1.468	Note b
	12 June 2019	19,000,000	-	-	-	19,000,000	1.468	Note c
	12 June 2019	12,450,000	-	-	-	12,450,000	1.468	Note d
		51,092,503	-	-	-	50,892,503		
Those who have or may have contributed to the Group								
	12 June 2019	1,000,000	-	-	-	1,000,000	1.468	Note a
		1,000,000	-	-	-	1,000,000		
		62,092,503	-	-	-	61,892,503		

Corporate Governance and Other Information

- (a) 20% of the share options are exercisable commencing from 12 June 2020, 20% of the share options are exercisable commencing from 12 June 2021, 20% of the share options are exercisable commencing from 12 June 2022, 20% of the share options are exercisable commencing from 12 June 2023, 20% of the share options are exercisable commencing from 12 June 2024 respectively to 11 December 2028.
- (b) 40% of the share options are exercisable commencing from 12 June 2019, 30% of the share options are exercisable commencing from 12 June 2020, 30% of the share options are exercisable commencing from 12 June 2021 respectively to 11 December 2028.
- (c) 50% of the share options are exercisable commencing from 12 December 2019, 50% of the share options are exercisable commencing from 12 December 2020 respectively to 11 December 2028.
- (d) 100% of the share options are exercisable commencing from 12 June 2020 to 11 December 2028.
- (e) For the avoidance of repeated calculations, 1,379,021 share options for directors' associates have been excluded from this subtotal as they are included in the number for employees with continuous contract.

As at 1 January 2024 and 30 June 2024, 149,680,177 and 149,880,177 share options were available for grant under the scheme mandate respectively.

SHARE AWARD SCHEME

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

1. Objective

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

2. Administration

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

3. Scheme Limit

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

Corporate Governance and Other Information

4. Voting Rights

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

5. Restrictions

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

6. Operation

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

7. Vesting and Lapse

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

Corporate Governance and Other Information

8. Remaining life of the Share Award Scheme

The Share Award Scheme shall be valid and effective for a period of ten years commencing on 28 March 2022, subject to earlier termination by the Company in general meeting or by the Board. As at the date of this report, the remaining life of the Share Award Scheme is approximately seven years and six months.

Details of the Share Awards granted under the Share Award Scheme

During the six months ended 30 June 2024, 1,800,000 shares of the Awarded Shares has been cancelled and repatriated to shares available for award, and 5,400,000 shares of the Awarded Shares has been vested or transferred under the Share Awarded Scheme, 7,400,000 Awarded Shares have been granted to certain employees of the Group on 25 May 2024.

Since the date of adoption and up to the date of this report, the Board has awarded a total of 33,400,000 Shares under the Scheme, representing approximately 1.5% of the Shares in issue at the date of this report. The total number of Shares available for further awards under the Scheme is 9,808,000, representing approximately 0.4% of the Shares in issue as at the date of this report.

In 12 April 2022, the Company has appointed Futu Trustee Limited (the “Trustee”) as a trustee for the purpose of the Share Award Scheme pursuant to the Share Award Scheme Rules. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Trustee and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. The Trustees shall administer the Share Award Scheme in accordance with the Share Award Scheme Rules and the respective Trust Deed signed between the Company and Trustee.

Details of the Share Awards granted pursuant to the Share Award Scheme to the grantees are set out below:

Number of Share Awards

Category of Participant	Date of Award	Number of Share Awards	Purchase price	Vesting Period	Unvested at 1 January 2024	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Unvested at 30 June 2024
Share Awards settled by the Shares repurchased by the Trustee on the open market										
Employees of the Group	11 May 2022	18,800,000	-	1 June 2023	-	-	-	-	-	-
Employees of the Group	25 May 2023	7,200,000	-	25 May 2024	7,200,000	-	5,400,000	-	1,800,000	-
Employees of the Group	25 May 2024	7,400,000	-	25 May 2025	-	7,400,000	-	-	-	7,400,000
Total		33,400,000	-		7,200,000	7,400,000	5,400,000	-	1,800,000	7,400,000

Notes:

- Please refer to note 21 to the financial statements for more details of the above Share Awards.
- On 11 May 2022, the Company granted 18,800,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2022. The fair value of the granted shares is estimated using the Finterty model (HK\$0.38) on the day of the grant, amounting to HK\$7,100,000 (equivalent to approximately RMB6,086,000). The weighted average closing price of such shares on 11 May 2023, being the trading date immediately before the vesting date, was HK\$0.485.

Corporate Governance and Other Information

3. On 25 May 2023, the Company granted 7,200,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2023. The fair value of the granted shares is estimated using the Finnerty model (HK\$0.38) on the day of the grant, amounting to HK\$2,765,000 (equivalent to approximately RMB2,544,000). The closing price of such shares on 24 May 2023, being the trading date immediately before the grant date, was HK\$0.465. Specifically, 5,400,000 shares were vested on 25 May 2024 and the weighted average closing price of the such shares on 24 May 2024, being the trading date immediately before the vesting date, was HK\$0.59.
4. On 25 May 2024, the Company granted 7,400,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2024. The fair value of the granted shares is estimated using the Finnerty model (HK\$0.56) on the day of the grant, amounting to HK\$4,134,000 (equivalent to approximately RMB3,764,000). The closing price of the such shares on 24 May 2024, being the trading date immediately before the grant date, was HK\$0.59.

Save as disclosed above, there has been no Share Awards granted under the Share Award Scheme during the six months ended 30 June 2024.

The identity of the grantees and the number of RSU granted to each grantee was reviewed and approved by the Company's Remuneration Committee after having taken into account the performance targets for the relevant financial period. The performance targets are related to the profitability of the Group as a whole and the operational performance of various departments in which the grantees work during the year.

The vesting of the Awarded Shares is subject to the satisfaction of vesting conditions specified in the award notice issued to each of the respective grantees. The performance targets attached to the Awarded Shares, which form part of the vesting conditions, include operational indicators, such as targets for revenue, net profit of the Group, sales income and net operating profit of various sales channels. In the event of a non-satisfactory rating in the annual performance review, the whole or the portion of awards to become vested in such year to the grantee shall be void and forfeited.

The shares under the Share Award Scheme have been acquired in 2022 by the Trustee from the open market with funds provided by the Company with its internal resources for the purpose of the Share Award Scheme. Once the Awarded Shares are vested and become eligible to transfer, the shares shall be transferred to the grantees from the Trustee at the request of the grantees. Therefore, the grant of the Awarded Shares will not result in any issue of new Shares or any dilution effect on the shareholdings of existing Shareholders.

The total number of Share Awards available for grant under the Share Award Scheme as at 1 January 2024 and 30 June 2024 were 15,408,000 and 9,808,000, respectively.

The total number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by the weighted average number of the Shares in issue during the Reporting Period is 3.2%.

Corporate Governance and Other Information

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2024, there was no significant investment, material acquisition and disposal of subsidiaries, joint ventures and associated companies by the Group.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale (including sale of treasury shares, if any) and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the Reporting Period.

As at 30 June 2024, the Company did not have any treasury shares.

INTERIM DIVIDEND

The Board of Directors do not recommend any payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent event or any material change relevant to the business or financial performance of the Group that come to the attention of the Directors since 30 June 2024.

Corporate Governance and Other Information

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on 12 December 2018 with net proceeds from the Global Offering of approximately HK\$636.8 million (after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Global Offering) and the balance of unutilised net proceeds of approximately HK\$73.3 million as at the beginning of the Reporting Period and approximately HK\$66.47 million as at 30 June 2024.

The net proceeds from the Global Offering have been and will be utilised in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds from the Global Offering of the Group and actual usage up to 30 June 2024:

	Budget <i>(HK\$ million)</i>	Accumulated amount utilised as at 31 December 2023 <i>(HK\$ million)</i>	Amount utilised during the Reporting Period <i>(HK\$ million)</i>	Remaining balance as at 30 June 2024 <i>(HK\$ million)</i>	Expected timeline for unutilised net proceeds
To further enhance the integrated distribution platform and optimise our channel mix	222.9	222.9	–	–	N/A
– To expand the online presence through further developing the technology infrastructure	22.3	22.3	–	–	N/A
– To upgrade certain existing concessionary counters into integrated health food stores in supermarkets	22.3	22.3	–	–	N/A
– To further increase the number of the concessionary counters, including the related expense for decoration, equipment procurement and other fees	44.6	44.6	–	–	N/A
– To expand into and introduce our existing and/or new products at various high frequency “on-the-go” consumption channels	133.7	133.7	–	–	N/A
To construct the new Nansha Manufacturing Facility in Guangzhou, Guangdong Province and the procurement of machinery and equipment for this planned processing facility	382.1	308.8	6.83	66.47	By the end of 2028*
To use for general corporate purposes	31.8	31.8	–	–	N/A
Total	636.8	563.5	6.83	66.47	

* The deferred use of the net proceeds intended for such purpose is due to the fact that the Group’s current production capacity and working capital are sufficient and therefore there is no need to utilise the net proceeds from the Global Offering for the purchase of production equipment, etc.

Corporate Governance and Other Information

As at 30 June 2024, the Group held the unutilised net proceeds as deposit with creditworthy banks with no recent history of default. There has been no change to the intended use of net proceeds as previously disclosed in the prospectus. The proceeds were used and are proposed to be used as and when appropriate based on the Group's business needs according to the intentions previously disclosed in the prospectus.

CHANGES IN THE INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Since the publication of the 2023 annual report to the date of this report, there have been no changes in the information of the Directors and chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules save and except that:

- Ms. Tse Cheung On Anne, a non-executive Director, has been acting as the Chief Consumer Officer in the Asia Pacific of PepsiCo, Inc. from February 2024 onwards.
- Mr. Zhang Senquan, an independent non-executive Director, was appointed as an independent non-executive director of TYK Medicines, Inc (the shares of which have been listed on the Stock Exchange (stock code: 2410) since 20 August 2024) on 17 January 2024 and an independent non-executive director of Chenqi Technology Limited (the shares of which have been listed on the Stock Exchange (stock code: 9680)) since 28 June 2024.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the financial information of the Group for the six months ended 30 June 2024.

The consolidated financial information for the six months ended 30 June 2024 have been reviewed by the Company's independent auditor, Ernst & Young in accordance with Hong Kong standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountant.

Members of the Audit Committee were of the opinion that the financial statements, the results announcement and this report had been prepared in compliance with the applicable accounting standards and the Listing Rules and that adequate disclosure had been made.

Independent Review Report



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To the board of directors of Natural Food International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 30 to 54, which comprise the condensed consolidated statement of financial position of Natural Food International Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report (Continued)

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

28 August 2024

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

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	5	992,383	873,853
Cost of sales		(342,370)	(315,360)
Gross profit		650,013	558,493
Other income and gains	5	9,142	10,784
Selling and distribution expenses		(512,170)	(426,366)
Administrative expenses		(40,257)	(41,299)
Reversal/(Impairment losses) on financial assets		121	(40)
Other expenses		(955)	(388)
Finance costs	7	(109)	(205)
PROFIT BEFORE TAX	6	105,785	100,979
Income tax expense	8	(15,636)	(17,809)
PROFIT FOR THE PERIOD		90,149	83,170
Attributable to:			
Owners of the parent		90,149	83,170
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		0.042	0.039
Diluted		0.042	0.039

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

For the six months ended 30 June 2024

Notes	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	90,149	83,170
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,871)	(16,869)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	4,489	20,309
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	90,767	86,610
Attributable to:		
Owners of the parent	90,767	86,610

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	293,768	296,305
Right-of-use assets		46,331	38,555
Intangible assets		248	275
Deferred tax assets		30,518	36,937
Other non-current assets	14	4,307	3,434
Total non-current assets		375,172	375,506
CURRENT ASSETS			
Inventories	12	69,067	93,475
Trade and bills receivables	13	190,265	217,818
Prepayments, other receivables and other assets	14	35,825	48,564
Amount due from related parties	19	16	2,149
Cash and Bank Balance	15	999,116	941,971
Restricted bank deposits	15	–	1,873
Total current assets		1,294,289	1,305,850
CURRENT LIABILITIES			
Trade payables	16	72,588	97,346
Contract liabilities		16,156	14,583
Other payables and accruals		97,807	108,332
Lease liabilities		4,623	3,980
Tax payable		39,762	48,129
Total current liabilities		230,936	272,370
NET CURRENT ASSETS		1,063,353	1,033,480
TOTAL ASSETS LESS CURRENT LIABILITIES		1,438,525	1,408,986

Interim Condensed Consolidated Statement of Financial Position (Continued)

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		12,474	11,484
Lease liabilities		9,071	1,735
Total non-current liabilities		21,545	13,219
Net assets		1,416,980	1,395,767
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	147	147
Reserves		1,416,833	1,395,620
Total equity		1,416,980	1,395,767

Ms. GUI Changqing
Director

Mr. ZHANG Zejun
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Shares held for the share		Share premium	Share option reserve	Share award reserve	Merger reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	Total
	Share capital	award scheme								
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 17)			(Note 20)	(Note 21)					
At 1 January 2024 (audited)	147	(10,978)	1,101,382	28,708	1,629	(87,350)	(17,777)	34,644	345,362	1,395,767
Profit for the year	-	-	-	-	-	-	-	-	90,149	90,149
Translation from functional currency to presentation currency	-	-	-	-	-	-	618	-	-	618
Total comprehensive income for the year	-	-	-	-	-	-	618	-	90,149	90,767
Equity-settled share option arrangements	-	-	-	126	-	-	-	-	-	126
Equity-settled share award expense	-	-	-	-	841	-	-	-	-	841
Vested awarded shares transferred to employees	-	2,886	(882)	-	(2,004)	-	-	-	-	-
Transfer to statutory reserve funds	-	-	-	-	-	-	-	452	(452)	-
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(106)	-	-	-	-	106	-
Dividend paid	-	-	(70,521)	-	-	-	-	-	-	(70,521)
At 30 June 2024 (unaudited)	147	(8,092)*	1,029,979*	28,728*	466*	(87,350)*	(17,159)*	35,096*	435,165*	1,416,980

* These reserve accounts comprise the consolidated reserves of RMB1,416,833,000 (31 December 2023: RMB1,395,620,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024

	Shares held for the share		Share premium	Share option reserve	Share award reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	Total	
	Share capital	award scheme								
	RMB'000 (Note 17)	RMB'000	RMB'000	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023 (audited)	147	(17,804)	1,102,722	28,990	3,682	(87,350)	(19,245)	33,638	193,275	1,238,055
Profit for the year	-	-	-	-	-	-	-	-	83,170	83,170
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(16,869)	-	-	(16,869)
Translation from functional currency to presentation currency	-	-	-	-	-	-	20,309	-	-	20,309
Total comprehensive income for the year	-	-	-	-	-	-	3,440	-	83,170	86,610
Equity-settled share option arrangements	-	-	-	332	-	-	-	-	-	332
Equity-settled share award expense	-	-	-	-	2,150	-	-	-	-	2,150
Vested awarded shares transferred to employees	-	6,944	(1,363)	-	(5,581)	-	-	-	-	-
Transfer to statutory reserve funds	-	-	-	-	-	-	-	1,902	(1,902)	-
At 30 June 2023 (unaudited)	147	(10,860)	1,101,359	29,322	251	(87,350)	(15,805)	35,540	274,543	1,327,147

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	105,785	100,979
Adjustments for:		
Bank interest income	(5,865)	(3,155)
Income from financial assets measured at fair value through profit or loss	(2,064)	(5,635)
Finance costs	109	205
Depreciation of property, plant and equipment	15,059	16,304
Depreciation of right-of-use assets	3,441	3,538
Amortisation of intangible assets	27	72
(Reversal)/Impairment losses of trade receivables and other receivables, net	(121)	40
Loss on disposal of items of property, plant and equipment	53	25
Equity-settled share option expenses	126	332
Equity-settled share award expenses	841	2,150
	117,391	114,855
Decrease in inventories	24,408	17,417
Decrease in trade and bills receivables	27,674	17,707
Decrease/(increase) in prepayments, other receivables and other assets	12,740	(14,680)
Decrease in amounts due from related parties	2,133	981
Decrease/(increase) in restricted bank deposit	1,873	(1)
Decrease in trade payables	(24,758)	(26,983)
Decrease in other payables and accruals	(10,143)	(1,985)
Increase/(decrease) in contract liabilities	1,573	(2,674)
Decrease in deferred income	-	(48)
	152,891	104,589
Cash generated from operations	152,891	104,589
Interest received	5,865	3,155
Income tax paid	(16,594)	(5,071)
	142,162	102,673
Net cash flows from operating activities	142,162	102,673

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash flows from operating activities	142,162	102,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at fair value through profit or loss	–	(423,000)
Proceeds from redemption of financial assets measured at fair value through profit or loss	2,064	428,635
Decrease in a time deposit	101,500	–
Purchase of items of property, plant and equipment	(15,974)	(9,820)
Proceeds from disposal of items of property, plant and equipment	2,142	433
Net cash flows used in investing activities	89,732	(3,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(109)	(205)
Principal portion of lease payments	(3,260)	(3,060)
Dividends Paid	(70,521)	–
Net cash flows used in financing activities	(73,890)	(3,265)
NET INCREASE IN CASH AND CASH EQUIVALENTS	158,004	95,656
Cash and cash equivalents at beginning of period	840,471	781,337
Effect of foreign exchange rate changes, net	641	3,437
CASH AND CASH EQUIVALENTS AT END OF PERIOD	999,116	880,430
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	999,116	880,430

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1. CORPORATE INFORMATION

The Company was formerly known as Roomy Development Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands (the “BVI”) on 30 November 2009. It was registered by way of continuation in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands and changed its name to “Natural Food International Holding Limited” on 11 May 2018. The address of the registered office of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 December 2018 (the “Listing”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in processing and selling natural health food in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKFRS 16	<i>Lease Liability in Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in processing and selling natural health food. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The Group operates within one geographical location because 100% of its revenue was generated in the PRC and all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

The Group's customers primarily consist of individual customers. For the six-month ended 30 June 2024, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue (for the six months ended 30 June 2023: nil).

5. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, and trade discounts (net of value-added tax) for the six months ended 30 June 2024 and 2023.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers		
Sale of goods	992,383	873,853
Timing of revenue recognition		
Goods transferred at a point in time	992,383	873,853

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

5. REVENUE AND OTHER INCOME AND GAINS (Continued)

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Other income and gains		
Government grants*	379	1,310
Bank interest income	5,865	3,155
Income from financial assets measured at fair value through profit or loss	2,064	5,635
Commission income from provision of a sales platform	180	106
Others	654	578
	9,142	10,784

* Various government grants have been received from local government authorities in the PRC. There are no unfulfilled conditions and other contingencies relating to these grants.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of inventories sold	342,370	315,360
Depreciation of property, plant and equipment	15,059	16,304
Depreciation of right-of-use assets	3,441	3,538
Lease payments not included in the measurement of lease liabilities	1,266	1,366
Research and development costs*	3,473	2,511
Amortisation of intangible assets	27	72
Employee benefit expense (excluding directors' and chief executive's remuneration and research and development costs):		
Wages and salaries	73,110	64,930
Equity-settled share option expenses	126	107
Equity-settled share award expenses	841	2,150
Pension scheme contributions	2,424	6,348
(Reversal)/impairment loss of trade and bills receivables**	(121)	40
Loss on disposal of items of property, plant and equipment	53	25
Income from financial assets measured at fair value through profit or loss	(2,064)	(5,635)
Finance costs	109	205
Bank interest income	(5,865)	(3,155)

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

** Impairment of trade and bills receivables is included in "Impairment of financial assets" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

7. FINANCE COSTS

An analysis of finance costs from operations is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interests on lease liabilities	109	205

8. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the British Virgin Islands and the Cayman Islands, the Group is not subject to any income tax in the British Virgin Islands and the Cayman Islands during the period (six months ended 30 June 2023: Nil).

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period (six months ended 30 June 2023: Nil).

Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the "PRC Tax Law") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC was 25% (six months ended 30 June 2023: 25%) on their taxable profits for the six months ended 30 June 2024 and 2023.

For the six months ended 30 June 2024 and 2023, income arising from the preliminary agricultural processed products in Guangxi Guiping Jingu Agricultural Development Co., Ltd. and Hubei Fuya Food Science and Technology Co., Ltd. was not subject to income tax, pursuant to the relevant PRC tax laws.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

8. INCOME TAX (Continued)

The major components of income tax expenses in the interim condensed consolidated statement of profit or loss are:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current – PRC		
Charge for the period	8,226	3,441
Deferred tax	7,410	14,368
Total tax charge for the period	15,636	17,809

9. INTERIM DIVIDENDS

The board of directors did not recommend any payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

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

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

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

(Continued)

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

Earnings	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit attributable to ordinary equity holders of the company, used in the basic earnings per share calculation	90,149	83,170

Shares	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	2,167,003,802	2,151,027,644
Effect of dilution – weighted average number of ordinary shares: Share award	143,749	365,265
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	2,167,147,551	2,151,392,909

The share option had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share for the period ended 30 June 2024 and 2023.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a cost of RMB8,632,000 (six months ended 30 June 2023: RMB2,860,000), and incurred construction in progress at a cost of RMB5,621,000 (six months ended 30 June 2023: RMB381,000).

Assets with a net book value of RMB1,067,000 were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: RMB458,000). The net loss on disposal of items of property, plant and equipment is included in note 6 to the financial statements.

During the six months ended 30 June 2024, no impairment loss was recognised (30 June 2023: Nil).

12. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Raw materials	16,730	21,977
Work in progress	2,460	4,767
Finished goods	40,473	56,205
Consumables	9,404	10,526
	69,067	93,475

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

13. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	187,322	215,877
Bills receivable	5,214	4,333
Impairment	(2,271)	(2,392)
Net Carrying amount	190,265	217,818

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

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	187,151	215,651
1 to 2 months	1,861	1,807
2 to 3 months	673	71
Over 3 months	580	289
	190,265	217,818

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current portion:		
Prepayments for items of property, plant and equipment	4,307	3,434
Current portion:		
Prepayments	5,995	6,342
Deposits	6,333	5,298
Value-added tax recoverable	10,458	15,899
Employee advances	5,093	13,682
Other receivables	11,174	10,571
Impairment allowance	(3,228)	(3,228)
	35,825	48,564

Other receivables are unsecured, interest-free and repayable on demand.

The Group has applied the general approach to provide for expected credit losses for financial assets included in prepayments, other receivables and other assets if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, there were measured based on lifetime expected credit loss. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

15. CASH AND BANK BALANCE

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash and bank balances	999,116	758,911
Restricted bank deposits	–	1,873
Time deposits	–	183,060
	999,116	943,844
Less:		
Time deposits with original maturity of over three months:		
– current	–	(101,500)
Restricted bank deposits	–	(1,873)
Cash and cash equivalents	999,116	840,471
Denominated in:		
– RMB	961,827	834,358
– HK\$	37,289	109,486
	999,116	943,844

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

16. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	51,553	75,621
1 to 2 months	15,461	19,653
2 to 3 months	2,431	690
Over 3 months	3,143	1,382
	72,588	97,346

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

17. SHARE CAPITAL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid: 2,188,514,000 (2023: 2,188,514,000) ordinary shares of USD 0.00001 each	147	147

18. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Capital commitments	601	5,048

As at 30 June 2024 and 31 December 2023, the amounts of capital commitments were related to the purchase of property, plant and equipment.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

(1) Amount due from related parties:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Pepsico Foods (China) Co., Ltd.	–	2,133
Yang Zhuoya	16	16
Shenzhen Jingya Natural Food Science and Technology Co., Ltd.	10,098	10,098
Impairment loss	(10,098)	(10,098)
	16	2,149

The balances of amounts due from related parties are unsecured, interest-free and repayable on demand. The balances as at 30 June 2024 and 31 December 2023 were trade in nature.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short term employee benefits	2,560	2,448
Post-employment benefits	14	51
Equity-settled share option expense	99	225
	2,673	2,724

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

20. SHARE OPTION SCHEME

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

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

	Date of grant	Numbers of share options			At 30 June 2024	Exercise period (both dates inclusive)	Exercise price per share
		At 1 January 2024	Exercised during the period	Forfeited during the period			
(i)	12/06/2019	12,450,000	-	-	12,450,000	12/06/2020-11/12/2028	HK\$1.468
(ii)	12/06/2019	19,000,000	-	-	19,000,000	12/12/2019-11/12/2028	HK\$1.468
(iii)	12/06/2019	17,242,503	-	-	17,242,503	12/06/2019-11/12/2028	HK\$1.468
(iv)	12/06/2019	13,400,000	-	(200,000)	13,200,000	12/06/2020-11/12/2028	HK\$1.468
		62,092,503	-	(200,000)	61,892,503		

The Group recognised share option expenses of RMB139,000 for the six months ended 30 June 2024.

As at 30 June 2024, the Company had 61,892,503 share options outstanding under the Share Option Scheme.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

21. SHARE AWARD SCHEME

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

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

During the year ended 2022, the Company purchased 39,848,000 of its ordinary shares through the Trustee at prices ranging from HK\$0.40 to HK\$0.50 per share at a total consideration of approximately HK\$19,931,000 (equivalent to approximately RMB17,804,000).

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

On 11 May 2022, the Company granted 18,800,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2022. The fair value of the granted shares is estimated using the Fannerty model (HK\$0.38) on the day of the grant, amounting to HK\$7,100,000 (equivalent to approximately RMB6,086,000). Since the Adoption Date and up to 30 June 2024, a total of 17,240,000 awarded shares had been awarded under the Share Award Scheme.

On 25 May 2023, the Company granted 7,200,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2023. The fair value of the granted shares is estimated using the Fannerty model (HK\$0.38) on the day of the grant, amounting to HK\$2,765,000 (equivalent to approximately RMB2,544,000). Since the Adoption Date and up to 30 June 2024, a total of 5,400,000 awarded shares had been awarded under the Share Award Scheme.

On 25 May 2024, the Company granted 7,400,000 shares to certain employees, which was subject to satisfaction of certain service period for one year and performance target for the year 2024. The fair value of the granted shares is estimated using the Fannerty model (HK\$0.56) on the day of the grant, amounting to HK\$4,134,000 (equivalent to approximately RMB3,764,000).

The Group recognised a share award expense of RMB841,000 for the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB2,150,000).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2024

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 30 June 2024 and 31 December 2023, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

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

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

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

23. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant subsequent events after 30 June 2024 which are required to be disclosed as at the date of this report.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 were approved and authorised for issue by the board of directors of the Company on 28 August 2024.

Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles” or “Articles of Association”	the articles of association of the Company as amended from time to time
“Audit Committee”	the audit committee of the Board
“Awarded Share(s)”	the awarded shares under the Share Award Scheme
“Board of Directors” or “Board”	our board of Directors
“China” or “PRC”	the People’s Republic of China, which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Corporate Governance Code”	the Corporate Governance Code as contained in Appendix C1 to the Listing Rules
“Company”	Natural Food International Holding Limited (五谷磨房食品國際控股有限公司) (formerly known as Roomy Development Holdings Limited), a limited liability company incorporated under the laws of the BVI on November 30, 2009 and registered by way of continuation to the Cayman Islands on May 11, 2018 as an exempted company with limited liability under the laws of the Cayman Islands
“Director(s)”	The director(s) of the Company or any one of them
“Global Offering”	the Hong Kong public offering and the international offering of Shares as described in the Prospectus
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Date”	12 December 2018, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange

Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 29 November 2018
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Report”	the interim report of the Company for the six months ended 30 June 2024
“Reporting Period”	for the six months ended 30 June 2024
“the corresponding period in 2023”	for the six months ended 30 June 2023
“SFO”	Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong)
“Share Option”	the share options granted under the Share Option Scheme
“Share Award Scheme”	the share award scheme that the Company adopted pursuant to a resolution passed by the Board on 28 March 2022
“Share Option Scheme”	the share option scheme that the Company conditionally adopted pursuant to a resolution passed by our Shareholders on 19 November 2018
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	common shares in the capital of the Company with nominal value of US\$0.00001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited