嘉士利集團有限公司
JIASHILI GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1285

Annual Report
2022

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Xianming
(Chairman and Chief Executive Officer)
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Songhuan
Mr. Liu Shouping (resigned on June 28, 2022)

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

COMPANY SECRETARY

Mr. Shoom Chin Wan, FCPA, ACG, HKACG, CTA

AUDIT COMMITTEE

Mr. Kam Robert *(Chairman)*
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

REMUNERATION COMMITTEE

Ms. Ho Man Kay *(Chairlady)*
Mr. Huang Xianming
Mr. Kam Robert
Mr. Ma Xiaoqiang

NOMINATION COMMITTEE

Mr. Huang Xianming *(Chairman)*
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Shoom Chin Wan

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investors Services Limited
17 Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER IN PRC

No. 18 Gangkou Road, Changsha
Kaiping
Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A7, 5/F,
Ngai Sheung Factory Building
13 Elm Street
Kowloon
Hong Kong

CORPORATE WEBSITE

www.gdjsl.com

STOCK CODE

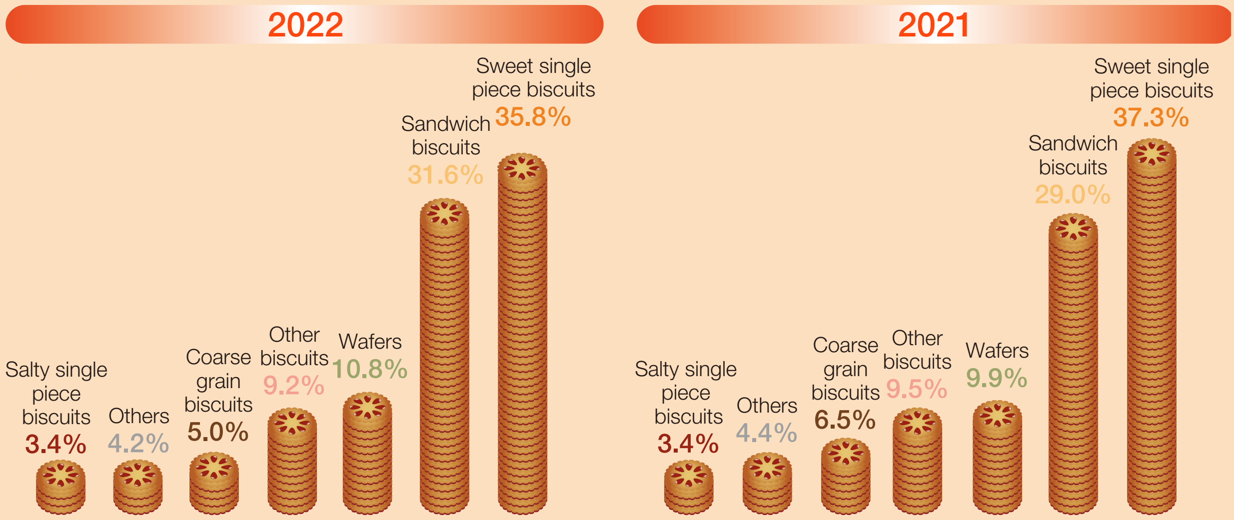
1285

LISTING DATE

September 25, 2014

FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN BY MAJOR PRODUCT SEGMENTS



	Year ended December 31,		
	2022 (RMB'000)	2021 (RMB'000)	Increase/ Decrease
Revenue	**1,664,360**	1,597,132	↑ 4.2%
Gross profit	**442,246**	458,923	↓ 3.6%
Gross profit margin	**26.6%**	28.7%	↓ 2.1%
Profit for the year	**55,004**	108,305	↓ 49.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**172,870**	238,275	↓ 27.4%
Operating profit (EBIT)[2]	**100,309**	170,841	↓ 41.3%
Earnings per share — Basic and diluted (RMB cents)	**13.73**	27.81	↓ 50.6%
Net profit margin	**3.3%**	6.8%	↓ 3.5 percentage points
Proposed final dividend per share (HKD)	**0.05**	0.05	—

Notes:

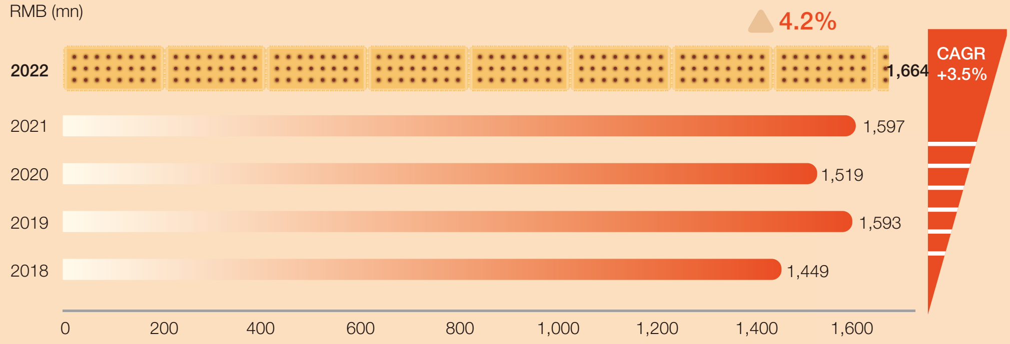
1. include profit/loss before tax but excluding finance costs and total depreciation and amortisation

2. include profit/loss before tax but excluding finance costs

Financial Highlights

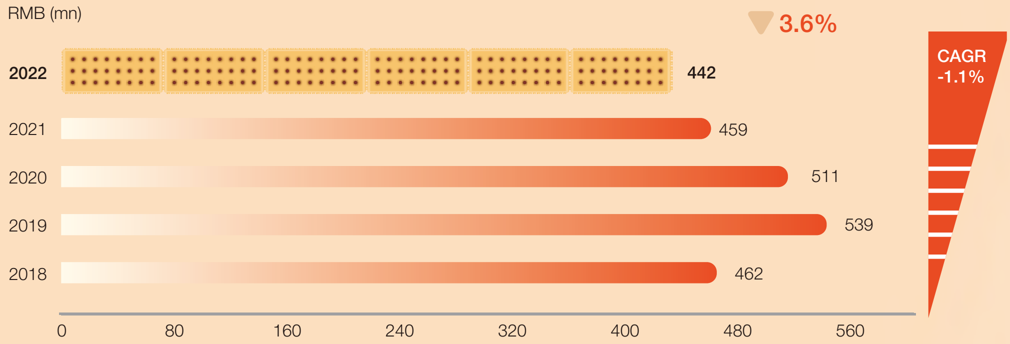
REVENUE

RMB (mn)



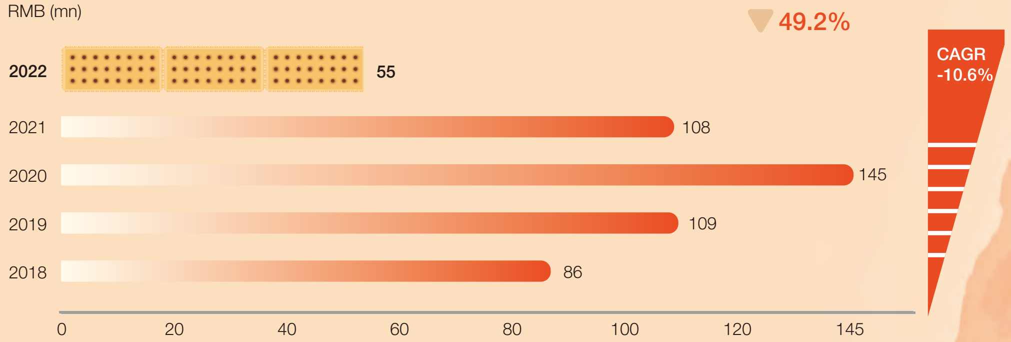
GROSS PROFIT

RMB (mn)



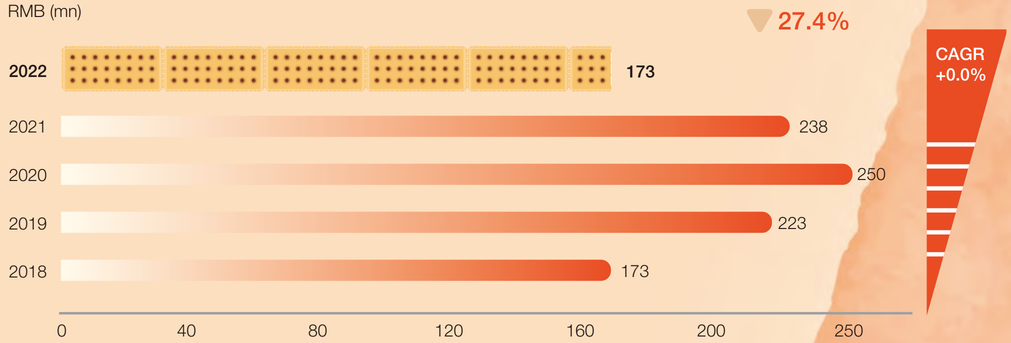
PROFIT FOR THE YEAR

RMB (mn)



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION, EBITDA

RMB (mn)



CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of Jiashili Group Limited ("Jiashili" or the "Company", together with its subsidiaries collectively, the "Group", "we", "our", "us"), I am pleased to present the annual results of Jiashili for the year of 2022.

Business performance

2022 was another unprecedented year of challenges and hardship, but also one that brought opportunity, resilience and compassion as individuals, businesses and communities around the world quickly adapted to address the impacts of the ongoing coronavirus pandemic ("COVID-19"). The COVID-19 pandemic brought disruption and uncertainty to our business and to all our distributors, colleagues, suppliers and shareholders. Our priority throughout the year, same as the last two years was to ensure our operational and financial resilience to serve our customers and play our part to make a positive impact for the good of our stakeholders and wider society, whilst also protecting the health and wellbeing of our employees. The Board (the "Board") of directors (the "Directors") is confident that while the pandemic have created challenges and turbulence in the past two years and still impacting our society now, our business is emerging stronger. Underpinning this confidence is a portfolio of our fantastic brands and a dedicated and committed team.

At times of adversity, spirit and character come to the fore and we have seen this in abundance from all at Jiashili during the year. The business has shown incredible resilience and agility in the year, with Group's revenue increasing 4.2% year-on-year to approximately RMB1,664.4 million in 2022. Overall we can maintain our market share despite these difficulties. On current product mix, sweet single piece biscuits, salty single piece biscuits and sandwich biscuits are being the dominant range represent about 70.8% (2021: 69.7%) of the total revenue. The Group's operating

Chairman's Statement

profit (earnings before interest and tax, EBIT) fell by 41.3% to approximately RMB100.3 million (2021: EBIT is approximately RMB170.8 million). This represents an EBIT margin of 6.0% (2021: 10.7%). Profits attributable to the owners of the Company amounted to approximately RMB57.0 million (decreased by 50.6% compared to previous year), providing a return on revenue of 3.4% (previous year: 7.2%). Net operating cash flow reached approximately RMB68.9 million (previous year: approximately RMB101.7 million). Significant factors affecting liquidity include cash flows generated from operating activities, future capital expenditures, acquisitions, dividends, the adequacy of available bank loans, and the ability to attract long-term capital with satisfactory terms. We believed that our Group is in a strong and healthy financial position generate substantial amounts of cash from operations with sufficient liquidity available for its working capital requirements, foreseeable capital expenditures and the payment of dividends.

Cost of production and gross profit margin

Prices of our raw materials including palm oil, flour and sugar have risen tremendously in 2022. The escalating prices inflation of raw materials led to Group's gross profit margin erosion in 2022. Our gross profit margin for the year 2022 decreased by 2.1 percentage points to 26.6% (2021: 28.7%). To minimize the impact of raw materials prices inflation we may consider the follows: i) advanced longer term contracting arrangements with key suppliers; ii) proactive supply chains and logistic action to secure effective delivery; iii) effective cost management; and iv) improved efficiency of our operations. We believed that the cost inflation we are experiencing across a number of our raw materials inputs is being proactively managed.

Chairman's Statement

Competition

Many of our confectionery brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace in China. We sell our brands in highly competitive markets with many other global multinational, national, regional and local firms. Some of our competitors are large companies with significant resources and substantial international operations. Competition in our product categories is based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing and promotional activity, the ability to identify and satisfy consumer preferences, as well as convenience and service. We have also experienced increased competition from other snack items, and we are focused on expanding the boundaries of our core confection brands to capture new snacking occasions. In response to the competitive environment in China, actions may include: i) we track the activity in the market and analyse this in order to adapt our strategy; ii) we may develop products internally, partner with third parties where it is commercially sensible to do so and also acquire firms to bring their product in house; iii) we also continue to evolve our Jiashili brand and invest in marketing the new brand to increase the level of recognition in the market; and iv) our diversification strategy will also deliver new products which complement our existing products.

Our responsibility, people, culture and values

We understand the value of good people, strong and accountable teams, the power of brands, the need for continuous investment and the need to maintain strong and enduring relationships with distributors, customers and suppliers. Across all our businesses, we live and breathe our values through the work we do every day, from investing in the health and safety of our colleagues, to promoting diversity and respecting human rights. Our values are: respecting everyone's dignity; acting with integrity; progressing through collaboration; and delivering with rigour. We pride ourselves on being a first-class employer, working actively to develop our people and create opportunities for progression. As a result, our employees tend to stay with us for a long time, building exciting careers that help them fulfil their goals at work, at home and in the community. We believe that most people are inherently good and that with encouragement, engagement and support they will do the right thing in the right way. Our high standards of integrity enable us to drive a strong culture, recognising that acting responsibly is the only way to build and manage a business over the long term. Our purpose to provide safe, nutritious, affordable biscuit and snack food that is great value for money has never been more relevant. We are committed to being a good neighbour and supporting the communities in which we operate. Our core value of "Jiashili benefit the Nation and benefit to all People" "嘉士利、利國家、利大家" have proved to be critical in determining our responses to the challenges posed by COVID-19. The strong culture of the Group, which has been established and then embedded in each of our businesses over many years, provided the firm foundation for the ways in which decisions were implemented. We have always aimed to make a lasting positive contribution to society, and we continue to take to invest in our people, support society, strengthen supply chains and respect our environment.

Board changes

Our ongoing focus is to maintain a strong, value-adding Board, with a diverse range of professional backgrounds, skills and perspectives. Following the conclusion of 2022 AGM held on June 28, 2022 Mr. Liu Shouping has resigned from executive Director of the Board. Our independent non-executive Director, Ms Ho Man Kay has informed to the Board that she retired from the Board at the forthcoming 2023 AGM due to other business commitments. On behalf of the Board, I would like to thank Mr. Liu Shouping and Ms Ho Man Kay for their services to Jiashili and their valuable contribution to the Board's work.

Chairman's Statement

Dividend

The Board is proposing a final dividend of HK$0.05 per share in this year. The final dividend, if approved by shareholders, will be paid on August 18, 2023 to shareholders on the register at the close of business on July 21, 2023. Shares will go ex-dividend on July 18, 2023.

Our commitment to Environmental, Social and Governance (the "ESG")

This year the Group continued to make further significant and wide-ranging progress in its environmental, social and governance activity. Looking ahead, we recognise that there is likely to be further significant regulation and legislation from governments to drive ESG progress and bring transparency to related corporate activity. Whilst we will of course comply with all new requirements, our focus will be on actions which make the most material difference. Our 2022 ESG activities is summarized and will be issued in a separate report and it details the large number of actions being taken across the Group. It can be found on the Group website or the website of Hong Kong Stock Exchange Company Limited.

Thank you to our employees

At the end of another challenging year I am proud of how our people have continued to respond to the many challenges presented by COVID-19, whilst at the same time taking action and seizing opportunities for our future. The strength of our culture shone through and our operating model of devolved decision making to each business and market enabled us to respond very quickly and appropriately to local challenges. The responses this year were again a testament to the dedication, skills and ingenuity of our people. I will never be able to thank all of them enough for their extraordinary efforts during this time.

Looking ahead

We are seeing significant cost increases in our raw materials inputs including palm oil, sugar and flour which have negative impacts on our profit margin. Our businesses are working to offset the impact of these through cost savings. We believed that the rapid economic recovery in China together with increased consumer spending will boost our sales in the coming years. We will continue to invest in building the capacity and capabilities of all our businesses. We expect the improvement in Group profitability to deliver another year of strong cash generation. While we can achieve much of our ambition organically, we do see opportunities to accelerate the pursuit of our strategy through mergers and acquisitions. We will look at mergers and acquisitions opportunities both to continue our geographic or product expansion and as an alternative to innovation in order to expand our portfolio into new growth spaces. In the next few years, we aim to achieve the followings:

- ➢ Revenue growth
- ➢ Profit margin expansion
- ➢ Strong cash conversion
- ➢ Increase shareholders return

Stick together, we can build a stronger business through a difficult year

Valued shareholders, we thank you for your continued support in another very challenging year and for the trust you have placed in us. We wish you, distributors, consumers, business partners, suppliers, and employees the best of health in the coming year.

Jiashili Group Limited
Huang Xianming
Chairman of the Board

March 30, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Invested in our future

Jiashili is one of the largest producer of quality biscuits and crackers in China more than 66 years since 1956, we market, sell and distribute our products under more than 10 brand names in approximately 31 Provinces and Municipalities and 310 prefecture-level cities with more than 660 stock keeping units offered to market in China. At Jiashili, serving customers means more than selling food. It means acting as a responsible and sustainable business for all our stakeholders — customers, colleagues, suppliers and shareholders — and providing safe, nutritious and affordable biscuits, that is great value for money. It is now more than three years since the beginning of the COVID-19 pandemic which has had such a profound impact on our business. The year of 2022 is a year full of challenges and uncertainties, this year has continued to be challenging with continuing reverberations from the pandemic, significant economic uncertainty, accelerating inflationary pressures and the conflict in Ukraine. Manufacturing cost was elevated and among them palm oil prices have increased on average by about 15.4% from preceding year, flour by about18.3%, sugar by about 5.7%. The Board understand that under the impact of the pandemic, both the consumer and businesses have been severely challenged, therefore, during this extraordinary and difficult period, the Group has increased selling price in certain products in order to recover significant input cost inflation effective on the first half of 2022. Although hard work has successfully recovered much of this cost inflation, more remains to be done. During this pandemic period we saw the quality of our leadership team and the dedication of our team members who have continued to provide an outstanding level of service to our customers and our wider stakeholder base. Jiashili is a business full of people who truly care about what we do. The Group continues to face considerable headwinds from high inflation, particularly in energy costs, volatile and uncertain business environment and pressure on consumer discretionary spending. However, we remain confident that the Group has the business model necessary to deliver a year of resilient performance with further growth in sales.

Performance Review

Although COVID-19 has influenced the Group's short-term planning and actions, our strategy remains unchanged with long-term growth being driven by organic investment and supplemented by acquisitions. Our financial performance this year more than ever demonstrates the resilience of the Group. This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking. The Group's revenue has increased by approximately RMB67.2 million or 4.2% to approximately RMB1,664.4 million in 2022. Gross profit decreased by approximately RMB16.7 million to approximately RMB442.2 million from approximately RMB458.9 million in the same period of 2021, representing a year-on-year decline of 3.6%, the reduction was mainly due to the increase in our cost of raw materials (particularly the palm oil and flour). Then, gross profit margin decreased by approximately 2.1 percentage points to 26.6% as compared with that of 2021.

Profit for the year decreased by 49.2% or approximately RMB53.3 million in 2022 to approximately RMB55.0 million from approximately RMB108.3 million of 2021. The decrease was mainly attributable to the followings: i) a substantial increase in the production costs as a result of the rising costs of our raw materials (include palm oil, flour and sugar) in 2022. Although the Group has adopted the strategies for raising prices for its products, the price increase in some products cannot fully compensate the rise in input costs of raw materials, which as a result lead to a decline in gross profit; ii) a non-recurring reversal gain on impairment loss on prepayment of approximately RMB75 million was recorded for the year ended 31 December 2021;

and iii) an increase in impairment provision on the Group's certain loans and receivables of approximately RMB21.4 million under expected credit loss model for the year ended 31 December 2022 due to unfavourable economic conditions in China. The pandemic triggered sharp fluctuations in the markets for raw materials. This volatility hit many industries hard and led to disruptions and even production interruptions. Despite this volatility, Jiashili succeeded in securing the supply of raw and packaging materials to most of its production sites in 2022, thanks to forward planning coupled with the ability to adapt quickly. Enhancement of product quality and raw material supplies are our Group strives for best quality with competitive prices, and zero customers complaints. This could be achieved by improved quality and supplies management and production and packaging processes. Through straight and stringent control on product safety, quality check and review will be implemented on each stages of production leads to costs reduction and enhancement of production efficiency.

During the long and successful history of Jiashili, we have mastered many crises and once again we have proven that our company is up to the local challenges. Our objectives are to produce quality, popular and preferred biscuits and leisure snack products where you can share anytime, anywhere. Over the year, we have been adhering to the business philosophy of "Jiashili, benefit the nation and benefit to all people 嘉士利、利國家、利大家" to provide delicious and high quality biscuits to the customers in China.

Marketing and promotion

Innovation has always been a strong tradition at Jiashili. Today, our pace of innovation is faster than ever, and every year we bring new creations on to the market. To cater for constantly changing consumer demands, our product specialists work day after day to ensure that every new product has the potential to become a classic one day. In 2022, research expenses amounted to approximately RMB59.1 million slightly decreased by 8.6% year-on-year. Research expenses accounted for approximately 3.6% of the total revenue in 2022 (2021: 4.1%). In 2022, our Group has more than 2,120 distributors in China, Jiashili is a consumer-led and market-driven organization. Our business model, structures and strategies continue to evolve, centred around a deep understanding of diverse local consumer preference. Jiashili continues to meet a wide range of rapidly evolving consumer preferences. Across different consumer landscape, today's most pronounced preferences include clean and cleaner label, convenience, nutrition & wellness, authenticity and premiumisation. These distinct preferences can mean different things to consumers in different market segment of the industry. Central to Jiashili's approach is the fundamental understanding of how to address these needs and support customers as they seek to innovate to win in today's marketplace. These ever-evolving consumer preferences are redefining consumption occasions right across end use markets and channels. Our customers is at the centre everything we do, we aims to adding value by offering so much more to distributors and our end customers. Our Group is undergoing consolidation in different distributor channels, aligning with different distributors through various channels such as supermarkets, shops, convenience stores and key accounts (KA) to fulfil our customers' needs. Some differentiated products are sold exclusive through specific channel to avoid possible conflicts among channels. We also strived for product differentiation in packaging and specifications among different channels and regions.

To promote our products our Group has a policy and control on promoting our products and brand names through discounts, promotion events and others. Selling, advertising and promotion expenses accounted for 8.3% of revenue of 2022. (2021: 8.8%). Jiashili is a highly diversified group with a wide range of biscuits and leisure snack products, comprises of more than 12 well-known grocery brands, and our flagship retail brand, "Jiashili". We have a strong social purpose: to provide safe, nutritious and affordable food that is great value for money.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Our focus on looking after customers in these challenging times has enabled us to build a strong business for all stakeholders. We are in good shape to keep building on this momentum in the current year. The COVID-19 crisis has had a significant effect on our financial results including substantial incremental raw materials costs. Our strategy remains consistent and is delivering results. This year we have focused on our operational efficiency, continued to invest in different business and technology, made progress on our competitiveness and accelerated our sustainability agenda.

During the year ended December 31, 2022 Group's revenue rose by 4.2% year-on-year to approximately RMB1,664.4 million The promising revenue performance was due to the rising prices on our certain products together with strong domestic demands in the improving second half year of 2022 particularly in the fourth-quarter. Breakdown of revenue by product in 2022 and the comparative figures for the same period last year are as follows:

	2022		2021		Increase/Decrease	
Revenue	RMB (million)	Revenue contribution	RMB (million)	Revenue contribution	RMB (million)	%
Sweet Single piece biscuits	596.2	35.8%	595.8	37.3%	0.4	0.07%
Salty Single piece biscuits	56.5	3.4%	54.3	3.4%	2.2	4.05%
Sandwich biscuits	525.7	31.6%	463.4	29.0%	62.3	13.44%
Wafers	180.0	10.8%	157.9	9.9%	22.1	14.00%
Coarse grain biscuits	83.5	5.0%	103.8	6.5%	-20.3	-19.56%
Other biscuits	153.1	9.2%	152.3	9.5%	0.8	0.53%
Others	69.4	4.2%	69.6	4.4%	-0.2	-0.29%
Total	1,664.4	100.0%	1,597.1	100.0%	67.3	4.21%

Breakdown of revenue by products

Sweet single piece biscuits

For the year ended December 31, 2022, revenue from sweet single piece biscuits recorded a slight increase of 0.07% or approximately RMB0.4 million to approximately RMB596.2 million as compared with the same period last year. The increase was mainly driven by consumers' preference on the tastes and textures of our products even under COVID-19 pandemic environment.

Salty single piece biscuits

In 2022, the revenue generated from salty single piece biscuits increased by approximately RMB2.2 million representing an increase of 4.1% ahead of corresponding period last year to approximately RMB56.5 million. It was mainly driven by our Group strong brand name and effective pricing and promotion strategy.

Sandwiches biscuits

Turning to sandwiches biscuits, mainly fruit jam sandwiches biscuits (果樂果香), in 2022 the revenue generated from sandwich biscuits series rose by 13.4%, or approximately 62.3 million year-on-year to approximately RMB525.7 million. The reason for the increase was mainly attributable as follows: (i) the rapid recovery of China domestic retail consumption particularly in the second half of 2022 and the relaxation of social distancing and shops closedowns rules near the end of 2022; and (ii) the online product promotion via Tik Tok (抖音) was proved to be effective as most of our target consumers are mostly university students; youngsters and teenagers, their acknowledgment and acceptance on on-line social media was exceptionally high.

Wafers

In 2022, the revenue generated from wafers amounted to approximately RMB180.0 million, representing an increase of 14.0% or approximately RMB22.1 million ahead of corresponding period last year. The increase was mainly driven by consumers' preference on the tastes and textures of our products.

Coarse grain biscuits

In 2022, revenue of coarse grain biscuit amounted to approximately RMB83.5 million, representing a decline of 19.6% or approximately RMB20.3 million as compared with the same period last year. Market repositioning and marketing channel restructuring is underway for coarse grain biscuits.

Other biscuits

Other biscuits include mainly Jiuzhou cookie (九洲曲奇), cream crackers, and others. During the year ended December 31, 2022, revenue from other biscuits has increased by 0.5% or approximately RMB0.8 million to approximately RMB153.1 million as compared with the same period last year.

Others

It is the Group's policy of actively seeking to expand different mix of products with different brands and flavors to meet customer's demands. Others represents miscellaneous products other than biscuits, such as bread, mooncake, candies and soymilk. For the year ended December 31, 2022, revenue from others was slightly drop by 0.29% to approximately RMB69.4 million as compared with the same period last year. In which revenue from short shelf-life bread amounted to approximately RMB28.4 million for the year ended December 31, 2022. Short-shelf life bread has received much market acceptance. Revenue from moon cakes in 2022 amounted to approximately RMB37.1 million.

Gross profit and Gross profit margin

Overall gross profit margin decreased mainly due to price inflation of costs of raw materials particularly palm oil and flour. In 2022, gross profit amounted to approximately RMB442.2 million (2021: approximately RMB458.9 million), representing a year-on-year decrease of 3.6%. Gross profit margin decreased to 26.6% (2021: 28.7%) in 2022, representing a drop of 2.1 percentage points from last year. The decrease in both gross profit and gross profit margin was due to the escalating costs of our raw materials (mainly palm oil and flour). In 2022, manufacturing costs of palm oil have increased on average by about 15.4% from preceding year, flour by about18.3%, and sugar by about 5.7%. from last year. The Group will further imposed stringent measures and controls to keep our production and manufacturing cost remain competitive.

Other income

Other income for the year of 2022 has increased by approximately 9.7% to approximately RMB43.9 million compared with 2021. The increase was primarily due to interests income earned on loan receivables and sale of packaging materials in 2022 is higher than that of the corresponding period of last year.

Selling and distribution expenses

Selling and distribution expenses comprise mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. Such expenses remained roughly the same in 2022 as compared with 2021. The selling and distribution expenses has rose by 1.4% from approximately RMB216.4 million in 2021 to approximately RMB219.4 million in 2022. In 2022 the selling administration and advertising and promotion expenses were approximately RMB137.7 million (2021: approximately RMB140.5 million). Selling administration and advertising and promotion expenses as a percentage of revenue was 8.3% (2021: 8.8%) which was in line with Group's policy to expand and broaden our consumer base. Delivery and transportation expenses in 2022 were approximately RMB81.8 million (2021: approximately RMB75.9 million). Delivery and transportation expenses as a percentage of revenue is 4.9% in 2022 (2021: 4.8%), The increased in delivery and transportation expenses indicates the persistent recovery of economic activities since the second half of 2022. The Company strive for efficient distribution strategy to save cost while at the same time meet customer demand in quicker delivery.

Administrative expenses

Administrative expenses are mainly consists of staff costs and welfare, office expenses and entertainment expenses, legal and professional fees, other tax expenses and rental expenses. For the year ended December 31, 2022, administrative expenses amounted to approximately RMB83.2 million, representing an increase of approximately RMB4.9 million or 6.2% year-on-year. The increase in administrative expenses was mainly attributable to increase in compensations on staff costs and welfare during pandemic and other consumables and office expenses.

Other gains and losses

During the year, other gains was approximately RMB3.1 million, a decrease of gains by approximately RMB79.3 million (2021: approximately RMB82.5 million gains) as compared with the corresponding period of last year. The decrease in other gains for the year ended December 31, 2022 was mainly due to non-recurring gains on reversal of impairment on prepayment amounts to approximately RMB75 million in 2021 no longer exist in 2022.

Inventories

Group's inventories consist mainly of raw materials, packaging materials and finished goods. The Group's inventories as at December 31, 2022 was approximately RMB104.7 million similar to that of corresponding period of last year of approximately RMB104.8 million. The inventory turnover days has decreased from 32.43 days in 2021 to 31.29 days in 2022.

Trade, bills and other receivables

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and KA together with other deposits and prepayments. The amounts of trade, bills and other receivables has declined by 19.7% from approximately RMB181.0 million in 2021 to approximately RMB145.4 million in 2022. Thus, the trade, bills and other receivables turnover days has decreased from 41.36 days in 2021 to 35.79 days in 2022 due to tighter control on credit policy.

Working capital position

To preserve and maintain a stable cash flow is very important. Measures to mitigate the cash outflow included cutting back on discretionary spending and non-essential capital expenditure across the Group was implemented. As at December 31, 2022, the Group's net current assets was approximately RMB44.0 million (2021: approximately RMB94.7 million). Current ratio of the Group as at December 31, 2022 was 1.05

(2021: 1.11). We believed our Group is in the healthy state of operating situation with adequate source of resources to meet our short-term debt.

Financial position and liquidity

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by our principal bankers. As at December 31, 2022, the Group had bank balances and cash amounted to approximately RMB310.1 million (2021: approximately RMB383.7 million). We are from time to time adopt prudent financial management policy to maintain sufficient cash to meet our cash flow needs. Total bank borrowings as at December 31, 2022 amounted to approximately RMB597.7 million, increased by approximately RMB77.6 million, or 14.9% from corresponding period of last year. All of our bank borrowings are unsecured. The increase was due to the financing needs for the expansion of the business and also for our marketing and promotion strategies. As at December 31, 2022, the Group was in a net debt position (defined as bank balances and cash less total bank borrowings, but exclude lease liability) of approximately RMB287.6 million (2021: net debt position of approximately RMB136.4 million). As at December 31, 2022, the gross gearing ratio (defined as total liabilities over total assets) was 51.5% (2021: 53.1%). Total equity as at December 31, 2022 was approximately RMB1,021.5 million, an increase of 4.0% from approximately RMB981.8 million as at December 31, 2021. We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity include cash flows generated from operating activities, future capital expenditures, acquisitions, dividends, the adequacy of available bank loans, and the ability to attract long-term capital with satisfactory terms. The Directors believed that the Group is in a strong and healthy financial position generate substantial amounts of cash from operations with sufficient liquidity available for its working capital requirements, foreseeable capital expenditures and the payment of dividends.

Human resources and remuneration of employees

As at December 31, 2022 the Group had a total of 2,453 employees. (December 31, 2021: 3,655) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual. For year ended December 31, 2022, the total employee benefits expenses (including Directors' and executive's remuneration) were approximately RMB258.8 million (2021: approximately RMB242.7 million).

Contingent liabilities and guarantees

As at December 31, 2022, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

Over the past few years, despite a very volatile environment, we have succeeded in steadily and successfully expanding our business. Jiashili has adapted itself to all different challenges of the markets in an agile and efficient manner and mastered them in cooperation with our partners and customers. We are preparing for the fact that the current economic conditions — characterized by high inflation and high volatility — will continue in the year of 2023. We are determined to remain committed to our long-term strategy in this environment. Thanks to continued high investment in advertising, new products, high quality, and our well positioning in the leisure snack food industry, as well as our in-depth knowledge of consumer needs, we are confident that we will be able to successfully overcome these challenges.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board meets regularly during the year and is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver the strategic aims and objectives.

The Group's strategy, however, remains unchanged and we continue to deliver on our promises and execute our strategy of organic growth and acquisitions. As we grow it is crucial that our governance structures keep pace so that we can ensure growth is both responsible and sustainable. We need to manage our risks efficiently and ensure transparency across the business. We are confident that the Board is well placed to do that and we remain committed to maintaining the very highest standards of corporate governance. We recognise that good governance is essential in promoting the success of the business for the benefit of its members as a whole.

BOARD COMPOSITION AND DIVERSITY

The board of directors is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success. The Board met regularly throughout the year to approve the group's strategic objectives, to lead the group within a framework of effective controls which enable risk to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set. Each member of our Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board.

Board Diversity

The Board recognises the importance of ensuring that Jiashili culture positively celebrates diversity and inclusion, truly embracing individuals' contributions, no matter what their age, gender, race, ethnicity, disability, sexual orientation, social background, religion or belief. We operate under the principle that we should be a Group where anyone with ambition and talent can have a great career, regardless of their age, gender, ethnicity, sexual orientation, disability, educational and socioeconomic background, cognitive and personal strengths or any of the other qualities that make people unique. This applies as much to the Board and to its Remuneration, Audit and Nomination Committees as it does to the Group as a whole. Jiashili recognizes and embraces the benefits of having a diverse Board to make important decisions based on a wider perspective with better consideration of the interests of its shareholders, customers and other stakeholders. At the end of each year, the Board determines the direction for next year's director candidate selection and the composition of the board. Jiashili will continue to make every effort to ensure that the board of directors will be more effective by adding various perspectives and experiences. Currently, out of six Directors, one is female representing 16.7% of the Board. The Company will maintain at least one female in the Board and will from time to time continue to maintain a diverse Board. The Nomination Committee will select appropriate candidates through multiple channels and make recommendation to the Board based on the Company's Board diversity policy and nomination policy. We believe the current Board is appropriately balanced in terms of diversity with a good mix of specialist skills and market expertise. The Company will continue to review the composition of the Board to ensure it remains appropriate to support the ongoing development of the Group.

CORPORATE GOVERNANCE REPORT

Board Composition

During the year ended December 31, 2022 and as at the date of this report, the Board of the Company was constituted by six members, including three executive Directors, and three independent non-executive Directors.

The name of the Directors in office during the year is as follows:

Executive Directors

Mr. Huang Xianming
(Chairman and Chief Executive Officer)
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Songhuan
Mr. Liu Shouping (resigned on June 28, 2022)

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

The biographical information of the Directors is set out on pages 44 to 45 of this report.

AREAS OF BOARD FOCUS IN 2022

During the past year the Board has paid particular attention to the following important areas:

— To protect our staff's and customer's health and safety and ensure our shareholder's interests are secured and not deteriorated during COVID-19 pandemic.

— the efficacy of our strategy and the degree to which it remains appropriate in light of market developments, acquisitions opportunities and longer-term objectives;

— the effectiveness of our capital structure and capital allocation priorities;

— evaluating our operating model and structure to ensure they remain fit for purpose as Jiashili grows and markets change;

— Scrutinised progress against the Board's objectives and ensured they continued to align with the Company's purposes and values;

— ensuring our key management resource remains motivated and appropriately rewarded and ongoing senior recruitment; and

— Discussed and reviewed regular updates on the Group's culture and employee engagement, including satisfying itself that workforce policies and practices were consistent with the Company's values and culture.

COMPLIANCE

The Group's long-term success depends on our commitment to exceptional corporate governance standards, which underpin the confident delivery of our business. We do not see governance as something we do because we have to. We see it as something that should be ingrained in the way we behave, how we make decisions, how we run our business and, ultimately, how we build trust. In the opinion of the Directors, the Company has adopted the principles and applicable code provisions of Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") as its own code of corporate governance. Since the date of its listing and up to the date of this report, the Company has complied with the code provisions under the CG Code except for deviation during the year which is summarised as below.

Code Provision C.2.1

As stipulated in the Code Provision C.2.1 of the Code, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. As the duties of chairman and chief executive officer of the Company are performed by Mr. Huang Xianming ("Mr. Huang"), the Company has deviated from the Code Provision C.2.1 of the CG Code. As all major decisions are made in consultation with all members of the Board, and currently there are three independent non-executive Directors on the Board offering independent advises and providing fresh perspectives to the Company. In regard of this, the Board is of the view that it is appropriate this management structure is effective for the Group's operations and sufficient checks and balances are in place and in the best interests of the Company for Mr. Huang to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Group. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended December 31, 2022.

THE ROLE AND FUNCTION OF THE BOARD AND COMMITTEES

The Board is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver the strategic aims and objectives. It determines the Group's key policies and reviews management and financial performance. The Group's governance framework is designed to facilitate a combination of effective, entrepreneurial and prudent management, both to safeguard Shareholders' interests and to sustain the success of Jiashili over the longer term. This is achieved through a control framework which enables risk to be assessed and managed effectively. The Board sets the Group's core values and standards and ensures that these, together with the Group's obligations to its stakeholders, are understood throughout the Group.

The Board has established three principal board committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, which support the operation of the Board through their focus on specific areas of governance. The membership, responsibilities and activities of these committees are described on pages 22 to 28 of this report.

BOARD MEETINGS AND GENERAL MEETING

During the year ended December 31, 2022, six meetings were held by the Board and the Directors did not authorise any alternate Director to attend Board meeting. One general meeting was held, which is the annual general meeting held on June 28, 2022 to, among other things, receive and consider the audited financial statements and reports of the Directors and auditors of the Company for the year ended December 31, 2021. The attendance record of each Director at the Board meetings and the general meeting is set out below:

	General Meeting		Board Meeting	
Name of Board Members	**Number of attendance**	**Number of meetings**	**Number of attendance**	**Number of meetings**
Executive Directors				
Mr. Huang Xianming	1	1	6	6
Mr. Tan Chaojun	1	1	6	6
Mr. Chen Songhuan	1	1	6	6
Mr. Liu Shouping (resigned on June 28, 2022)	0	1	2	6
Independent Non-Executive Directors				
Mr. Kam Robert	1	1	6	6
Ms. Ho Man Kay	1	1	6	6
Mr. Ma Xiaoqiang	1	1	6	6

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

Directors would receive relevant documents from the company secretary (the "Company Secretary") in a timely manner to enable the Directors to be informed decisions on matters discussed in the Board meetings. The Company Secretary manages the provision of information to the Board at appropriate times in consultation with the Chairman and chief executive ensures that the Board has the policies, processes, time and resources it needs in order to function effectively and efficiently. This includes the provision of corporate governance updates to all Board members in the Board pack for each meeting. In addition to formal meetings, the Chairman and chief executive maintain regular contact with all directors. The Chairman holds informal meetings or calls with non-executive Directors, without any of the executive Directors being present, to discuss issues affecting the Group, as appropriate. All Directors have access to the Company Secretary, who is responsible for advising the Board on all governance matters.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10(A) of the Listing Rules, there are three independent non-executive Directors, representing at least one-third of the Board. Among the three independent non-executive Directors, one of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The independent non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the independent non-executive Directors annual written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers, all independent non-executive Directors, to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A Director of the Company shall have a term of office of one to three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed nine years. The Company has entered into service agreements with each of the executive Director, non-executive Director and independent non-executive Director with a term of not more than three years. In accordance with the Company's articles of association, a person may be appointed as a Director either by the shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the shareholders.

Ms. Ho Man Kay, has informed the Board she would not offer herself for re-election and accordingly she will retire from her office as an independent non-executive Director with effect from the conclusion of the 2023 AGM as disclosed in the announcement of the Company dated April 13, 2023. Save for Ms. Ho Man Kay, the other retiring Directors being eligible, shall offer themselves for re-election at the 2023 AGM.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board on any changes required. Appointments are made on merit, based on objective criteria, including skills and experience and recognising the benefits of diversity on the Board. As part of the appointment process, prospective directors are required to confirm that they will be able to devote sufficient time to the Company to discharge their responsibilities effectively. Furthermore, all Directors are required to inform the Company of changes in their commitments to ensure that they continue to be able to devote sufficient time to the Company.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Directors should keep abreast of the responsibilities as a Director of the Company and of the conduct, business activities and development of the Group. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates Directors with circulars and guidance notes on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Group also provides all members of the Board with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

A summary of training received by the Directors for the year ended December 31, 2022 is as follows:

Name of Board Members	Training on Corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Huang Xianming	√
Mr. Tan Chaojun	√
Mr. Chen Songhuan	√
Mr. Liu Shouping (resigned on June 28, 2022)	√
Independent Non-Executive Directors	
Mr. Kam Robert	√
Ms. Ho Man Kay	√
Mr. Ma Xiaoqiang	√

Summary of the Board's Work During the Year

During the year, the Board considered all matters reserved to the Board for decision, focusing in particular on the following:

- review of operations and current trading;
- approval of the interim financial statements for the six months ended June 30, 2022;
- approval of the annual report and accounts for the year ended December 31, 2021;
- approval of the AGM resolutions;
- consider and review the Group's dividend policy;
- investor relations;
- treasury policy;
- growth and acquisition strategy;
- adoption of the 2022 budget;
- review of the works of the Group's Audit Committee, Remuneration Committee and Nomination Committee.

BOARD EVALUATION

The performance of the chairman, chief executive, the Board and its committees is evaluated formally annually against, amongst other things, their respective role profiles and terms of reference. The executive Directors are evaluated additionally against the agreed budget for the generation of revenue, profit and value to shareholders.

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls.

During the year ended December 31, 2022 and as at the date of this report, the Audit Committee comprised three independent non-executive Directors: Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang respectively. Mr. Kam Robert is the Chairman of the Audit Committee.

The principal responsibilities of the Committee are to:

— monitor the integrity of the interim and annual results, including a review of the significant financial reporting judgements contained therein;

— establish and oversee the Company's relationship with the external auditor, including the external audit process, their audit and non-audit fees and independence and make recommendations to the Board on the appointment of the external auditor;

— review and assess the effectiveness of the Company's internal financial controls and internal control and risk management systems;

— oversee the nature, scope and effectiveness of the internal audit work undertaken; and

— monitor the Company's policies and procedures for handling allegations from whistle-blowers.

During the year ended December 31, 2022, the Audit Committee had four meetings and the attendance record of the Audit Committee members is set out in the table below:

Name of Director	Number of attendance	Number of meetings
Mr. Kam Robert *(Chairman)*	4	4
Ms. Ho Man Kay	4	4
Mr. Ma Xiaoqiang	4	4

Activities during the year

In order to fulfil its terms of reference, the Audit Committee receives and reviews presentations and reports from the Group's senior management, consulting as necessary with the external auditor.

Monitoring the integrity of reported financial information

Ensuring the integrity of the financial statements and associated announcements is a fundamental responsibility of the Audit Committee. During the year it formally reviewed the Group's interim and annual reports. These reviews considered:

- the description of performance in the annual report to ensure it was fair, balanced and understandable;
- the accounting principles, policies and practices adopted in the Group's financial statements, any proposed changes to them, and the adequacy of their disclosure;
- important accounting issues or areas of complexity, the actions, estimates and judgements of management in relation to financial reporting and in particular the assumptions underlying the going concern and viability statements;
- any significant adjustments to financial reporting arising from the audit;
- tax contingencies, compliance with statutory tax obligations and the Group's tax policy; and
- cyber and IT security.

Significant accounting issues considered by the Audit Committee in relation to the Group's financial statements

A key responsibility of the Committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the financial statements. The Committee has reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements. Set out below are the significant areas of accounting judgement or management estimation and a description of how the Committee concluded that such judgements and estimates were appropriate.

(i) Valuation of financial asset at fair value through profit or loss ("FVTPL")

In estimating the fair value of the Group's financial asset at FVTPL, it was determined based on the asset based approach by subtracting the total liabilities of the unlisted equity investment fund from its total assets. The Committee considered the reasonableness of the key assumptions, estimates and inputs adopted by the independent valuer. The Committee also reviewed and challenged the calculations made in deriving the fair value and the adequacy of the disclosures in respect of the key assumptions and estimates. Please refer to note 25 of this report for more details. On the basis of the key assumptions and associated estimates have made by the valuer, the Committee was satisfied that the fair value of the FVTPL amounted to appropriately RMB107.1 million, and the fair value gain on the financial asset at FVTPL for the year ended December 31, 2022 amounted to approximately RMB3.0 million.

(ii) Review on impairment assumptions and estimates under expected credit loss model

The Committee has reviewed the backgrounds, key assumptions and reference default rate estimates from Moody credit rating report and the Company's financial assets credit impairment policy on receivables and loans. The Committee has also reviewed the assumptions and calculations made by independent valuer on certain loans receivables. The Committee was satisfied with the provisions and judgements which have been provided on the Group's loans and receivables under expected credit loss model.

(iii) Review on assessment of goodwill arising from acquisition of Kaiping Jiarun

The Committee undertakes an formal goodwill assessment on acquisitions of Kaiping Jiarun with an review on the assumptions and calculations based on the report from the independent valuer. The Committee also reviewed the sufficiency and adequacy of the 5-year financial forecasts of Kaiping Jiarun for this acquisition. The Committee was satisfied with the calculations and judgements made by the Group and the value of goodwill arising on acquisition on Kaiping Jiarun is approximately RMB10.9 million.

Misstatements

Management reported to the Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The external auditor reported to the Committee the misstatements that they had found in the course of their work. After due consideration the Committee concurred with management that these misstatements were not material and that no adjustments were required.

Internal financial control and risk management

The Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the Group's compliance with the policy on internal control. To fulfil these duties, the Committee reviewed:

- the external auditors' summary of management letters and their Audit Committee reports;
- internal audit reports on key audit areas and any significant deficiencies in the financial control environment;
- reports on the systems of internal financial control and risk management;
- an assessment of business continuity plans in place in the Group's businesses;
- the Group's approach to anti-bribery and corruption, and whistleblowing;
- the Group's approach to IT and cybersecurity; and
- reports on significant systems implementations.

Internal audit

The Audit Committee is required to assist the Board in fulfilling its responsibilities for ensuring the capability of the internal audit function and the adequacy of its resourcing and plans. To fulfil its duties, the Committee reviewed:

- internal audit's reporting lines and access to the Committee and all members of the Board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolution; and
- changes in internal audit personnel to ensure appropriate resourcing, skills and experience are put in place.

The Chair of the Committee met with the Group's Chief Financial Officer regularly during the year to monitor the effectiveness of the internal audit function, receiving updates on audit progress and statistics on outstanding issues.

External audit

Auditor independence

The Audit Committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditor for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that the Group benefits in a cost-effective manner from the cumulative knowledge and experience of its auditor, whilst also ensuring that the auditor maintains the necessary degree of independence and objectivity. The Committee's policy on the use of the external auditor to provide non-audit services is in accordance with applicable laws and takes into account the relevant ethical guidance for auditors. Any non-audit work to be undertaken by the auditor requires authorisation by the executive Director and above a certain threshold, by the Audit Committee, prior to its commencement. The Committee also ensures that fees incurred, or to be incurred, for non-audit services, both individually and in aggregate, do not exceed any limits in applicable law and take into account the relevant ethical guidance for auditors. The Committee is required to approve the use of the external auditor to provide: accounting advice and training; corporate responsibility and other assurance services; financial due diligence in respect of acquisitions and disposals; and will consider other services when it is in the best interests of the Company to do so, provided they can be undertaken without jeopardising auditor independence. The aggregate expenditure with the Group auditor is reviewed by the Audit Committee. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year. The Audit Committee has formally reviewed the independence of the external auditor. Deloitte Touche Tohmatsu ("DTT") has reported to the Committee confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with its professional standards. To fulfil its responsibility to ensure the independence of the external auditor, the Audit Committee reviewed:

- a report from the external auditor describing arrangements to identify, report and manage any conflicts of interest, and policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and

- the extent of non-audit services provided by the external auditor. The total fees paid to DTT for the year ended December 31, 2022 was approximately RMB1.8 million of which approximately RMB0.02 million related to non-audit work.

Auditor effectiveness

To assess the effectiveness of the external auditor, the Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it; and

- reports highlighting the major issues that arose during the course of the audit.

To fulfil its responsibility for oversight of the external audit process, the Audit Committee reviewed:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;
- the overall work plan and fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the level of errors identified during the audit; and
- recommendations made by the external auditor in their management letters and the adequacy of management's response.

Auditor appointment

The Audit Committee reviews annually the appointment of the auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the Board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. The Audit Committee is satisfied with the auditor's effectiveness and independence and has recommended to the Board that DTT be reappointed as the Company's external auditor for 2023.

Nomination Committee

During the year ended December 31, 2022 and as at the date of this report, the Nomination Committee had four members comprising one executive Director and three independent non-executive Directors: Mr. Huang Xianming, Ms. Ho Man Kay, Mr. Kam Robert and Mr. Ma Xiaoqiang respectively. Mr. Huang Xianming is the chair of the Nomination Committee.

The Nomination Committee is responsible for making recommendations to the Board on the appointment, reappointment, retirement or continuation of any Director. The Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and assessing the independence of the independent non-executive Directors.

During the year ended December 31, 2022, the Nomination Committee held two meetings and the attendance record of the Nomination Committee members is set out in the table below:

Name of Director	Number of attendance	Number of meetings
Mr. Huang Xianming *(Chairman)*	2	2
Ms. Ho Man Kay	2	2
Mr. Kam Robert	2	2
Mr. Ma Xiaoqiang	2	2

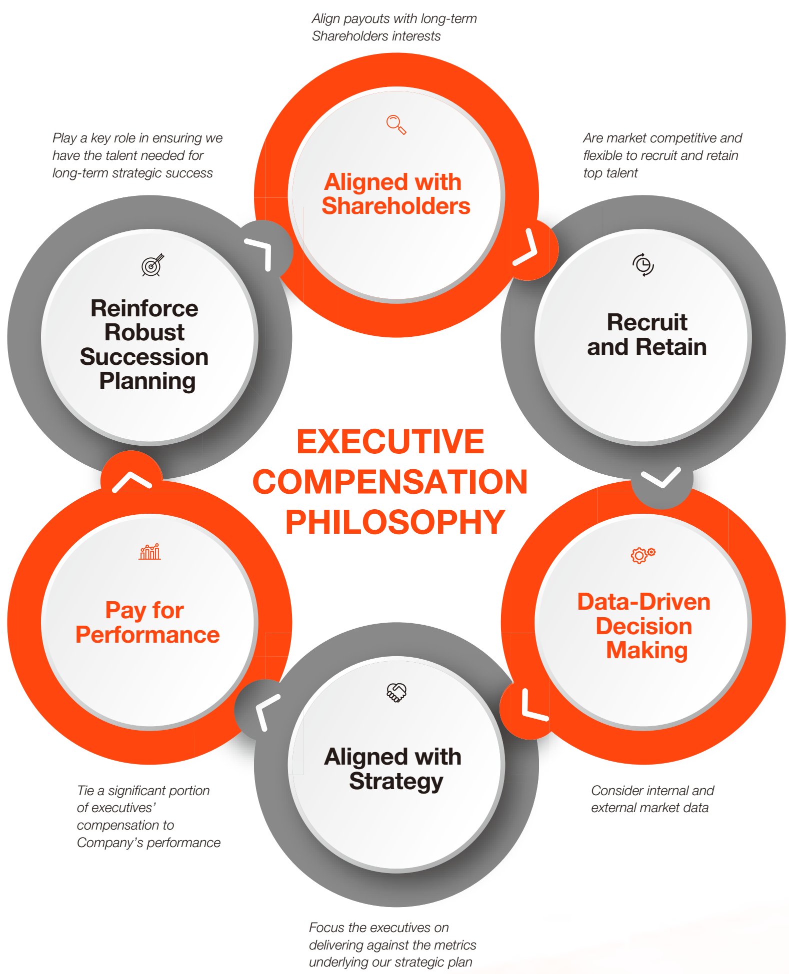
CORPORATE GOVERNANCE REPORT

The Committee objective is to have a broad range of skills, background and experience within the Board as they believe that this ensures the Board is best placed to serve the Company. While they will continue to ensure that appoint the best people for the relevant roles, the Committee recognise the benefits of diversity in ensuring a mix of views and providing a broad perspective. When considering the recruitment of a new director, the Committee considers the required balance of skills, knowledge, experience and diversity to ensure that any new appointment adds to the overall Board composition.

During the year of 2022, Mr. Liu Shouping has resigned in June 2022 after 2022 AGM. The Committee and the Board are grateful for the contributions he has made. The biographical details of the Directors are set out on pages 44 to 45 of this report.

The Committee strongly believes that diversity, in all aspects, and the promotion of an inclusive culture is a key driver of business success and is committed to making a continuous improvement in this area at both Board and senior management level. The Board recognises the importance of having complementary and diverse skills and backgrounds within the Board, enabling rich and effective discussions and decision-making. The Committee continuously reviews the Board composition against a skills matrix to ensure that the Board and its Committees have and maintain the skills needed to deliver the Group's strategic priorities.

Remuneration Committee



CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2022, the Remuneration Committee had four members comprising one executive Director and three independent non-executive Directors: Ms. Ho Man Kay, Mr. Kam Robert, Mr. Ma Xiaoqiang and Mr. Huang Xianming respectively. Ms. Ho Man Kay is the chair of the Remuneration Committee.

Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior management and specific remuneration packages and conditions of employment for the Directors and senior management and evaluating and making recommendations on employee benefit arrangements.

The remuneration of Directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

During the year ended December 31, 2022, two meetings were held by the Committee to review and make recommendation of the remuneration of senior management and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Director	**Number of attendance**	**Number of meetings**
Ms. Ho Man Kay *(chairlady)*	2	2
Mr. Huang Xianming	2	2
Mr. Kam Robert	2	2
Mr. Ma Xiaoqiang	2	2

Pursuant to the code B.1.5 of the CG Code, the following table sets forth the remuneration of the Directors and members of senior management categorised by remuneration group for the year ended December 31, 2022:

Group (Note)	**Remuneration (RMB)**	**Numbers of Individuals**
1	0–855,000	7
2	855,001–1,283,000	1

Note:

Group 1 includes 6 Directors and 1 member of senior management.

Group 2 includes 1 Director and nil members of senior management.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in note 14 to the consolidated financial statements contained in this annual report.

COMPANY SECRETARY

The Company Secretary, Mr. Shoom Chin Wan, plays an important role in supporting the Board by ensuring good information flow within the Board and that board policy and procedures are followed.

All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and should also facilitate induction and professional development of Directors. He confirmed that he had complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training during the year ended December 31, 2022.

INTERNAL CONTROLS

For the year ended December 31, 2022, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control and risk management system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board is responsible for maintaining an adequate internal control and risk management system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such system on an annual basis through the Audit Committee. During the year, the Board has conducted a review of the effectiveness of the Company's internal control and risk management systems and considered the systems are effective and adequate in all material aspects in both design and operations.

Key Elements of Internal Control System

The Group's internal control key processes include the following:

- An organisation structure which formally defines lines of responsibility and delegation of authority.
- Policies and procedures of all operating units within the Group are documented in the Standard Practice Instructions.
- Key functions such as corporate affairs, finance, tax, treasury and human resources are controlled centrally.
- Roles and responsibilities are properly segregated.
- Effective reporting system in place to ensure timely generation of financial information for management review.
- Operating units meetings are conducted regularly to review financial performance, business development and deliberate on management issues.
- Executive Directors meet with senior management/all operating units to discuss and resolve key operational, financial and other key management issues. Significant issues are highlighted and discussed at Board meetings.
- The Audit Committee has access to external auditors and their reports and meets with them to discuss on their findings and reports.

- Annual budgeting and target setting process which includes forecasts for each operating unit with detailed reviews at all levels of operations.
- Monetary limits are set up at different levels of authorised positions so that unauthorised transactions can be minimised.
- The Group has a policy on financial limits and approving authority for its operating and capital expenditure.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

Internal Audit

Internal audit function was conducted with an objective that independent feedback and reviews will be provided to the Audit Committee and subsequently the board of directors. The Audit Committee reviewed through the findings of the internal auditors to ensure that any major weaknesses are recognised and rectified on a timely basis and an effective and efficient risk management and internal control systems are maintained.

The internal auditors reported on their findings, recommended corrective measures to be taken by the management and the management responses thereto. During the financial year, there was no material internal control weakness that would have resulted in any significant loss to the Group.

Further review on internal control system was also done by the Audit Committee through discussion with relevant management during the Board meeting whereby other concerns were addressed.

SHAREHOLDERS' RIGHTS

To safeguard shareholder's interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange of Hong Kong Limited after each general meeting.

1. Convening a General Meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Articles of Association by sending a written requisition to the Board or the company secretary. The objects of the meeting must be stated in the written requisition.

2. Putting Forward Proposals at General Meeting

If a shareholder wishes to propose a person other than a retiring Director for election as a Director of the Company at a general meeting, pursuant to Article 85 of the Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

3. Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

4. Contact Details

The contact details of the Company are set out in the Company's website (www.gdjsl.com) in order to enable the shareholders to make any query that they may have with respect to the Company.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar. Their details are as follows:

Tricor Investor Services Limited
17 Floor, Far East Finance Centre
18 Harcourt Road
Hong Kong

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

5. Articles of Association of the Company

The Articles of Association was adopted pursuant to a special resolutions of the Company passed on August 21, 2014 and took effect from the Listing Date. In order to being the Articles of Association in line with the latest amendments to the relevant requirements of the Listing Rules and Companies Act, the Board proposes to seek Shareholders' approval by special resolution to amend the Articles of Association in 2023 AGM.

INVESTOR RELATIONS

The Company believes that effective communication with its shareholders and the investment community in a fair and timely basis is essential. Continuous dialogue is held with research analysts and institutional investors by means of roadshows, one on one meetings, conference calls and investors conferences to keep them abreast of the Group's business and development.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Huang Xianming, Ms. Huang Cuihong, Ms. Huang Rujiao, Ms. Huang Rujun, Ms. Huang Xianxian, Kaiyuan Investments Limited ("Kaiyuan"), Great Logistics Global Limited ("Great Logistics"), Jade Isle Global Limited ("Jade Isle"), Grand Wing Investments Limited ("Grand Wing"), Intelligent Pro Investments Limited ("Intelligent Pro") and Prestige Choice (Overseas) Investments Limited ("Prestige Choice Overseas") are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "Controlling Shareholders"). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) to compete directly or indirectly with the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in the Group's favour on August 21, 2014.

In order to properly manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-competition undertaking, the Company has adopted the following corporate governance measures:

i. the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-competition undertaking by the Controlling Shareholders;

ii. the Company will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking either through the annual report or by way of announcement;

iii. the Company will disclose in the corporate governance report on how the terms of the non-competition undertaking have been complied with and enforced; and

iv. in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the non-competition undertaking, he may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Company's articles of association.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the shareholders, in particular, the minority shareholders.

Each of the Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertaking. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-competition undertaking and confirmed that all the undertakings thereunder have been complied with.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended December 31, 2022.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on December 19, 2013 as an exempted company with limited liability. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on September 25, 2014.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Group are manufacturing and sales of biscuits in the PRC and overseas.

Segment analysis of the Group (categorised by major products) for the year ended December 31, 2022 is set out in note 6 to the consolidated financial statements of the Group contained in this report. A review of the business of the Group during the year and its future development and an analysis of the Group's performance during the year using financial key performance indicators as required under Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong), as well as particulars of important events affecting the Company that have occurred since the end of the year ended December 31, 2022, are set out in the "Chairman's Statement" on pages 6 to 9 and the "Management Discussion and Analysis" on pages 10 to 15 of this report.

GROUP STRATEGY AND BUSINESS MODEL

Our strategy is to achieve sustainable growth over the long term, increasing shareholder value through sound commercial and responsible business decisions that deliver steady growth in earnings and dividends. Our ownership structure provides us with the stability to invest in businesses that we believe in and to support the growth of those businesses over the long term. We continue to operate a devolved decision-making model. This is a distinctive characteristic of Jiashili, and one which we believe empowers management of our businesses to take decisions at the level we consider to be the most effective — in other words, closest to the markets, customers and stakeholders relevant to each business.

COMPANY CULTURE: PEOPLE AND VALUES

We understand the value of good people, strong and accountable teams, the power of brands, the need for continuous investment and the need to maintain strong and enduring relationships with customers and suppliers. Our people are a key asset and it is their commitment to providing customers with a reliable service that has helped Jiashili to navigate further. Across all our businesses, we live and breathe our values through the work we do every day, from investing in the health and safety of our colleagues, to promoting diversity and respecting human rights. Our values are: respecting everyone's dignity; acting with integrity; progressing through collaboration; and delivering with rigour. We believe that most people are inherently good and that with encouragement, engagement and support they will do the right thing in the right way. Our high standards of integrity enable us to drive a strong culture, recognising that acting responsibly is the only way to build and manage a business over the long term. Our core value of "Jiashili benefit the Nation and benefit to all People" "嘉士利、利國家、利大家" have proved to be critical in determining our responses to our external challenges.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Board

Establishes the nature and extent of risk the Group is willing to accept (its 'risk appetite') in pursuit of Jiashili's strategic objectives.

Performs a robust assessment of the Group's risks through annual review of the Group's risk register, focusing on the evolving risk landscape, emerging risks and those **risks considered to be significant by** management and the Executive Committee.

Continuously monitors and oversees the Group's risk management and internal controls processes and procedures.

The Audit Committee

Reviews the process for the management of risk, including **the risk assessment and risk response, and its effectiveness.**

Directs and oversees internal audit's activities and reviews the results of assurance over controls and risk mitigation activities.

Executive Committee

Holds regular meetings with business area management **to discuss strategic, operational and financial issues and** ensures policies and procedures are in place to identify **and manage the principal risks affecting each of the** Group's businesses.

Considers the evolving risk landscape, including reviewing the results of the risk assessment process and assessing the **sufficiency of risk mitigation activities for current risks as well** as the threats and opportunities from emerging risks.

Business area management

The Group's decentralised management structure allows for **the establishment of clear ownership of risk identification and** management at the business area level within the framework of Jiashili's risk management policy.

Business management

Businesses, with the support of business area management, **implement and monitor the effectiveness of controls, policies** and procedures designed to manage risk.

Our approach to risk management

The delivery of our strategic objectives and the sustainable growth (or long-term shareholder value) of our business, is dependent on effective risk management. Similar with any business, risks and uncertainties are inherent in our business activities and it is through a structured approach to risk management that we are able to mitigate and manage these risks and embrace opportunities when they arise.

The Board is accountable for effective risk management, for agreeing the principal, including emerging, risks facing the Group and ensuring they are successfully managed. The Board undertakes a robust annual assessment of the principal risks, including emerging risks, that would threaten the business model, future performance, solvency or liquidity. The Board also monitors the Group's exposure to risks as part of the performance reviews conducted at each Board meeting. Financial risks are specifically reviewed by the Audit Committee. The Board empowers the management of our businesses to identify, evaluate and manage the risks they face, on a timely basis, to ensure compliance with relevant legislation, our business principles and Group policies. Our businesses perform risk assessments which consider materiality, risk controls and specific risks relevant to the markets in which they operate. The collated risks from each business are shared with the respective divisional chief executives who present their divisional risks to the Group executive. The Board receives the risk assessments on an annual basis and, with the Audit Committee, reviews and challenges them with the divisional chief executives, on an individual basis. These discussions are wide ranging and consider operational, environmental and other external risks. These risks and their impact on business performance are reported during the year and are considered as part of the monthly management review process. At least one executive director together with Group divisional heads including Legal, Treasury, Tax, Information Technology, Human Resources, Procurement and Delivery to form Executive Committee providing input to this process, sharing with the Board and the Audit Committee their view of key risks and what activities are in place or planned to mitigate them. A combination of these perspectives with the business risk assessments creates a consolidated view of the Group's risk profile. A summary of these risk assessments is then shared and discussed with the Audit Committee and Chief Executive Officer at least annually. The Chief Executive Officer holds meetings with each of the non-executive Directors seeking their feedback on the reviews performed and discussing the key risks, which include emerging risks, and mitigating activities identified through the risk assessment exercise. Once all non-executive Directors have been consulted, a Board report is prepared summarising the full process and providing an assessment of the status of risk management across the Group. The key risks, mitigating controls and relevant policies are summarised and the Board confirms the Group's principal risks.

Principal risks and uncertainties

Our business and financial results may be negatively impacted by the failure to successfully manage a disruption in consumer and trade patterns, as well as operational challenges associated with the actual or perceived effects of a disease outbreak, including epidemics, pandemics or similar widespread public health concerns, such as, the current COVID-19 pandemic

Our operations are impacted by consumer spending levels, impulse purchases, the availability of our products at retail and our ability to manufacture, store and distribute products to our distributors and consumers in an effective and efficient manner. The fear of exposure to or actual effects of a disease outbreak, epidemic, pandemic or similar widespread public health concern, such as the COVID-19 pandemic, could negatively impact our overall business and financial results. Specific factors that may impact our operations, some of which have had an unfavorable impact on our operations as a result of COVID-19, include, but are not limited to:

- Significant reductions or volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship, shifts in demand away from one or more of our products; if prolonged, such impacts may further increase the difficulty of planning for operations and may negatively impact our results;

REPORT OF THE DIRECTORS

- The inability to meet our customers' needs and achieve cost targets due to disruptions in our manufacturing operations or supply arrangements caused by the loss or disruption of essential manufacturing and supply elements such as raw materials or finished product components, transportation resources, workforce availability, or other manufacturing and distribution capability;

- The inability to effectively manage evolving health and welfare strategies, including but not limited to ongoing or not yet fully known costs related to operational adjustments to ensure continued employee and consumer safety and adherence to health guidelines as they are modified and supplemented;

- An inability to effectively modify our trade promotion and advertising activities to reflect changing consumer viewing and shopping habits due to the cancellation or postponement of major promoting events, reduced in-store visits, travel restrictions and a shift in customer advertising priorities, among other things; or

- The failure of third parties on which we rely, including those third parties who supply our raw materials, packaging, capital equipment and other necessary operating materials, contract manufacturers, distributors, commercial banks and external business partners, to meet their obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may negatively impact our operations.

With respect to COVID-19, the situation remains dynamic and subject to rapid and possibly material change. The Company's efforts to manage and mitigate these factors may be unsuccessful, and the effectiveness of these efforts depends on factors beyond our control, including the duration and severity of any disease outbreak, as well as third-party actions taken to contain its spread and mitigate public health effects.

Market demand for new and existing products could decline
We operate in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our consumers. Our continued success is impacted by many factors, including the following:

- Effective retail execution;

- Appropriate advertising campaigns and marketing programs;

- Our ability to secure adequate shelf space at retail locations;

- Our ability to drive sustainable innovation and maintain a strong pipeline of new products in the confectionery and broader snacking categories; and

- Changes in product category consumption.

There continues to be competitive product and pricing pressures in the markets where we operate, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key customers, including retailers and distributors, to compete effectively.

Changes in our relationships with significant distributors could adversely affect us
There continues to be competitive product and pricing pressures in the markets where we operate, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key distributors and retailers to compete effectively. There can be no assurance that our significant distributors and retailers will continue to purchase our products in the same quantities or on the same terms as in the past, particularly as increasingly powerful distributors continue to demand lower pricing. The loss of a significant distributors or a material reduction in sales to a significant distributors could materially and adversely affect our product sales, financial condition, and results of operations. The Group has, therefore, been continually broadening and deepening its distribution and sales network and increasing the number of our distributors. The Group has also been taking proactive approaches in monitoring the performance of the distributors and supporting them with sales and marketing efforts, so as to maintain good relationships with them and uphold the sales contribution of the distributors to us.

Disruption of our supply chain could have an adverse impact on our business, financial condition, and results of operations
Our ability to make, distribute and sell our products is critical to our success. Damage or disruption to our supply chain, including third-party manufacturing or transportation and distribution capabilities, due to weather, including any effects of climate change, natural disaster, fire or explosion, terrorism, pandemics, strikes, government action, or other reasons beyond our control or of our suppliers and business partners, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single supplier or location, could adversely affect our business or financial results. In addition, disputes with significant suppliers, including disputes regarding pricing or performance, could adversely affect our ability to supply products to our customers and could materially and adversely affect our product sales, financial condition, and results of operations. The Group believes that we take adequate precautions to mitigate the impact of possible disruptions. We have strategies and plans in place to manage disruptive events if they were to occur.

Any damage to our reputation could have a material adverse effect on our business, financial condition, and results of operations
Maintaining a good reputation of Jiashili is critical to selling our products. Product contamination or tampering, the failure to maintain high standards for product quality, safety, and integrity, including with respect to raw materials and ingredients obtained from suppliers, or allegations of product quality issues, mislabeling, or contamination, even if untrue, may reduce demand for our products or cause production and delivery disruptions. Our reputation could also be adversely impacted by any of the following, or by adverse publicity (whether or not valid) relating thereto: the failure to maintain high ethical, social, and environmental standards for all of our operations and activities; the failure to achieve any stated goals with respect to the nutritional profile of our products; our research and development efforts; or our environmental impact, including use of packaging, energy use, and waste management. Moreover, the growing use of social and digital media by consumers has greatly increased the speed and extent that information or misinformation and opinions can be shared. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial information could also hurt our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these or other reasons could result in decreased demand for our products and could have a material adverse effect on our business, financial condition, and results of operations, as well as require additional resources to

rebuild our reputation. In order to mitigate those impacts on the Group, we have introduced our own quality control standards to all of our suppliers and distributors; policies and practices to take account of changes in legal and environmental obligations; relevant ethical training and programs to educate staffs and workers.

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this report. The Board has resolved to recommended the payment of a final dividend of HK5.00 cents per ordinary share for the year ended December 31, 2022 (2021: HK5.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at Friday, July 21, 2023. Subject to the approval by the shareholders of the Company, the payment date of the proposed final dividend is expected to be on Friday, August 18, 2023. The dividend per ordinary share for the year ended December 31, 2022 is HK$5.00 cents. (2021: HK$15.00 cents)

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, June 26, 2023 to Friday, June 30, 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, June 23, 2023. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, July 20, 2023 to Friday, July 21, 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered.

In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than Hong Kong time 4:30 p.m. on Wednesday, July 19, 2023.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 4.4% of the Group's turnover and sales to the Group's largest customer was approximately 1.1% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 29.6% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 10.0% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had interests in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 41 to the consolidated financial statements.

RESERVES

At December 31, 2022, the Company's reserves available for distribution amounted to approximately RMB195.8 million (2021: approximately RMB211.1 million). Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 57 and reserves of the Company on page 159 respectively.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, all Directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses losses or liabilities which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended December 31, 2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

DONATION

The Group made a charitable donation of approximately RMB0.4 million (2021: approximately RMB2.8 million) during the year ended December 31, 2022.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities and cash flow summary as at the end of the last five financial years is set out on pages 46 to 47 of this report.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement during the year of 2022.

SUBSIDIARIES

Details of the Company's subsidiaries as at the date of this report are set out in note 52 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Huang Xianming *(Chairman and Chief Executive Officer)*
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Songhuan
Mr. Liu Shouping (resigned on June 28, 2022)

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

According to article 84(1) of the Articles of Association of the Company, one-third of the Directors for the time being shall retire from office by rotation at the annual general meeting of the Company but shall then be eligible for re-election. Details of the Directors subject to rotation and re-election are contained in the circular despatched together with this annual report.

In compliance of Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors, representing over one-third of the Board. Pursuant to paragraph 12B of Appendix 16 of the Listing Rules, each of the independent non-executive Directors has confirmed by annual confirmation that he/she has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 44 to 45 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under note 50 "Related Party Disclosures" to the consolidated financial statements, no transaction, arrangement or contract of significance (as defined in the Appendix 16 of the Listing Rules) in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director, an entity connected with a Director, or Controlling Shareholders had a material interest, whether directly or indirectly, subsisted at the end of 2022 or at any time during 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATION

As at December 31, 2022, the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of Issued share capital
Mr. Huang	The Company	Interests of controlled corporation(2)	310,472,000 (L)(1)	74.81%
Mr. Huang	Kaiyuan	Interests of controlled corporation(3)	100 (L)(1)	100%
Mr. Huang	Great Logistics Global Limited ("Great Logistics")	Beneficial owner	1 (L)(1)	100%

Notes:

(1) The Letter "L" denotes our Directors' long position in the shares or the relevant associated corporation.

(2) The relevant shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

(3) Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2022, the following persons have an interest or a short position in the shares required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Ms. Huang Cuihong	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	310,472,000	74.81%
Ms. Huang Xianxian	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	310,472,000	74.81%
Ms. Huang Rujiao	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	310,472,000	74.81%
Ms. Huang Rujun	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	310,472,000	74.81%
Great Logistics	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	310,472,000	74.81%
Grand Wing Investments Limited ("Grand Wing")	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	276,168,000	66.55%
Intelligent Pro Investments Limited ("Intelligent Pro")	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	276,168,000	66.55%
Jade Isle Global Limited ("Jade Isle")	Interest in controlled corporation[(1)];interest in family member[(2)]/Long position	276,168,000	66.55%
Kaiyuan	Beneficial interest/Long position	276,168,000	66.55%
Prestige Choice Investments (Overseas) Limited ("Prestige Choice Overseas")	Interest in controlled corporation[(1)]; interest in family member[(2)]/Long position	276,168,000	66.55%

Notes:

(1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.

(2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the shares in the Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the shares in which Huang's Family is interested, and vice versa.

Save as disclosed above, as at the date of this report, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" section set out on pages 16 to 32 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange of Hong Kong Limited. The Group's operations shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended December 31, 2022 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong in all material respects.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge, as at the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2022.

AUDITOR

The consolidated financial statements for the year ended December 31, 2022 have been audited by Deloitte Touche Tohmatsu. A resolution for the reappointment of Deloitte Touche Tohmatsu as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Jiashili Group Limited
Huang Xianming
Chairman
Hong Kong, March 30, 2023

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Huang Xianming (黃銑銘), aged 51, is the chairman of our Company and was appointed as an executive Director of our Company on December 19, 2013. Mr. Huang became Controlling Shareholder and was appointed as chairman and chief executive officer of our Group in May 2007 and has been primarily responsible for overall operation and management, marketing and sales, strategic planning and business development. Mr. Huang serves as the chairman of the board and a director of each of our subsidiaries. Since his acquisition of controlling stake in Guangdong Jiashili in May 2007, he has been focusing on the management and business development of our Group and had directed our business expansion from Guangdong province to other parts of China. Mr. Huang obtained a diploma of EMBA programme from Hong Kong International Business College (香港國際商學院) in January 2004. Mr. Huang is a vice chairman of the 4th Session of China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會第四屆理事會副理事長) and a vice chairman of the Federation of Industry and Commerce of Jiangmen (江門市工商業聯合會副主席). Mr. Huang was also elected the chairman of Kaiping Association of Food Industry (開平市食品行業協會) in May 2013.

Mr. Tan Chaojun (譚朝均), aged 56, is the vice chairman of our Company and was appointed as an executive Director on April 16, 2014. Mr. Tan joined the management of our Group in August 2008 and has been primarily responsible for overall management, strategic planning and business development. Since joining our Group, Mr. Tan has been overseeing the overall operation of our operative subsidiaries and held various management positions such as chief financial officer, executive director and legal representative. Prior to joining our Group, Mr. Tan worked at Bank of China from August 1988 to July 2008, holding positions of officer and business manager of Kaiping sub-branch and seconded to Kaiping Tanjiang Bandao Hotel (開平 潭江半島酒店), acting as the executive director and general manager. When working for Bank of China, Mr. Tan was recognised as economist and assistant accountant. Mr. Tan graduated from Electronic Engineering Department of Wuyi University (五邑大學) located in Guangdong, the PRC, majoring in computer application and obtained a diploma in July 1988 and completed a course in business administration at Sun Yat-sen University (中山大學) located in Guangzhou, the PRC in November 2003. Mr. Tan obtained the National Qualification of Senior Baking Worker (高級烘焙烘烤工國家職業資格) in July 2011. Mr. Tan was awarded as 2013 Guangdong Top Ten Professional Manager by the Professional Managers Association of Guangdong.

Mr. Chen Songhuan (陳松浣), age 55, joined the Group since June 2005 is currently the supply chain director of Guangdong Jiashili Food Group Co., Limited (廣東嘉士利食品集團有限公司) responsible for the management of the Group's supply chain. Mr. Chen was appointed as an executive Director on July 1, 2019. Mr. Chen is also the general manager of Dongguan Kamtai Foods Company Limited (東莞錦泰食品有限公司) responsible for overall production and administration. Prior to joining the Group, Mr. Chen worked at Jiashili Pastries (嘉士利餅業) and Guangdong Jiashili (廣東嘉士利) for 25 years, starting as a quality controller, and was promoted to senior management positions such as workshop manager, research and development officer and deputy general manager. Mr. Chen graduated from high school in 1986.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Robert (甘廷仲) (alias 甘定滔), age 65, was appointed as an independent non-executive Director on August 21, 2014. Mr. Kam started his career with one of the international accounting firms and is currently a partner of a chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit services. Mr. Kam graduated with a bachelor of commerce degree from the University of Western Australia. Mr. Kam is a chartered accountant and a member of the Institute of Chartered Accountants in Australia and a Registered Auditor of the Australian Securities and Investments Commission. Mr. Kam is also a Justice of the Peace in the State of New South Wales in Australia. Mr. Kam has been an independent non-executive director of Vinda International Holdings Limited (stock code:3331), the shares of which are listed on the Main Board of the Stock Exchange, since June 2007 and he was resigned on March 31, 2018.

Ms. Ho Man Kay (何文琪), age 61, was appointed as an independent non-executive Director on August 21, 2014. Ms. Ho is a founding partner of Angela Ho & Associates. Prior to founding Angela Ho & Associates, she was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specialising in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho has been an independent non-executive director of China Shanshui Cement Group Limited (stock code:0691), the shares of which are listed on the Main Board of the Stock Exchange, since December 2015 and she was resigned on May 2018. Ms. Ho was the president of the Hong Kong Federation of Women Lawyers from 2002 to 2005.

Mr. Ma Xiaoqiang (馬曉強), aged 40, was appointed as an independent non-executive Director on January 16, 2017. Mr. Ma was graduated from Takada Junior College of Japan in 2004 majoring in information engineering. He was awarded a bachelor degree of operation science from Yokkaichi University of Japan in 2006 and a master degree of marketing from Mie University of Japan in 2008. Mr. Ma has over 9 years of work experience in international trading. Mr. Ma has been the chairman of Changjiang Trading Company Ltd. of Japan since 2008.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, comprises the following:

Mr. Lu Jianxiong (盧健雄), aged 52, joined our Group in January 2010 and was appointed as an executive Director of the Company on May 22, 2014 and has resigned on January 1, 2017. Mr. Lu is currently the director of Guangdong Jiashili Food Group Co., Limited (廣東嘉士利食品集團有限公司), responsible for the Group's strategic planning, operation risk and production cost management control. Mr. Lu is also responsible for bakery business of Guangzhou Jialixuan Food Co., Ltd (廣州嘉利軒食品有限公司), Prior to joining our Group, Mr. Lu worked as general manager and executive director at Kaiping Xinhua Printing Company Limited (開平市新華印刷有限公司) from July 1992 to June 2001 and as a chief senior designer at Kaiping Dingcheng Advertising Design Studio (開平市鼎城廣告設計工作室) from July 2001 to February 2008. He served as general director and executive director at Jiangmen Jiashi Packing and Printing Technology Company Limited (江門嘉士包裝印刷科技有限公司) from March 2008 to April 2009. Mr. Lu graduated from high school in July 1990..

Ms. Li Yanfei (李燕菲), aged 35, joined the Group in July 2008. Ms. Li is currently the manager of Guangdong Jiashili Food Group Co., Limited (廣東嘉士利食品集團有限公司), responsible for sales administration, customer orders management and sales coordination, customer relationship management and gathering and analyzing marketing intelligence. Ms Li is held accountable and reported to the controller of enterprise management department.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and cash flow summary of the Group for the last five financial years is prepared on the basis set out in the notes below:

RESULTS

	Year ended December 31				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,664,360**	1,597,132	1,518,545	1,593,067	1,449,288
Cost of sales	**(1,222,114)**	(1,138,209)	(1,007,557)	(1,054,202)	(987,323)
Gross profit	**442,246**	458,923	510,988	538,865	461,965
Other income	**43,851**	39,990	47,535	48,322	30,447
Selling and distribution expenses	**(219,411)**	(216,351)	(223,045)	(219,046)	(207,939)
Administrative expenses	**(83,226)**	(78,354)	(76,396)	(75,844)	(85,261)
Other expenses	**(59,788)**	(69,113)	(64,079)	(56,193)	(45,018)
Impairment losses (recognised) reversed under expected credit loss model, net	**(21,367)**	(35,334)	(820)	5,030	(12,404)
Other gains and losses	**3,149**	82,486	(409)	(69,738)	(3,190)
Share of results of associates	**(6,738)**	(4,726)	(1,910)	(2,535)	(162)
Share of results of a joint venture	**1,593**	(6,680)	(479)	(1,420)	(11,141)
Finance costs	**(30,886)**	(30,972)	(22,232)	(20,046)	(16,619)
Profit before tax	**69,423**	139,869	169,153	147,395	110,678
Income tax expense	**(14,419)**	(31,564)	(23,888)	(38,856)	(24,502)
Profit and total comprehensive income for the year	**55,004**	108,305	145,265	108,539	86,176
Profit and total comprehensive income for the year attributable to:					
Owners of the Company	**56,974**	115,428	142,669	109,584	86,479
Non-controlling interests	**(1,970)**	(7,123)	2,596	(1,045)	(303)
	55,004	108,305	145,265	108,539	86,176

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at December 31				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**2,107,103**	2,093,415	1,773,218	1,633,754	1,438,814
TOTAL LIABILITIES	**(1,085,644)**	(1,111,587)	(856,290)	(858,930)	(736,233)
TOTAL EQUITY	**1,021,459**	981,828	916,928	774,824	702,581

CASH FLOW SUMMARY

	As at December 31				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash provided from (used in)					
Operating activities	**68,889**	101,654	279,765	120,910	182,586
Investing activities	**(139,966)**	(343,375)	(113,105)	(26,000)	(205,517)
Financing activities	**(2,127)**	135,149	(108,717)	(42,812)	(19,256)
Net (decrease) increase in cash and cash equivalents	**(73,204)**	(106,572)	57,943	52,098	(42,187)

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF JIASHILI GROUP LIMITED
嘉士利集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiashili Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 168, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Occurrence of revenue from sales of biscuit and other products	
We identified occurrence of revenue from sales of biscuit and other products as a key audit matter due to its quantitative significance to the consolidated financial statements. The sales of biscuit and other products are recognised as revenue when the control of the goods has been transferred to the customers of the Group. The Group has recognised revenue from sales of biscuit and other products of approximately Renminbi ("RMB") 1,664 million for the year ended December 31, 2022. The accounting policy of revenue and details of revenue are set out in notes 3 and 5, respectively, to the consolidated financial statements.	Our procedures in relation to occurrence of revenue from sales of biscuit and other products included: • Understanding and testing the key controls relating to the revenue recognition for sales of biscuit and other products; • Understanding the revenue recognition policies of the Group and evaluating whether its revenue recognition is in accordance with IFRS 15 *Revenue from Contracts with Customers;* • Performing tests of details by tracing to invoices and delivery information, on a sample basis, to ensure the transactions are valid, accurate and recorded in proper period; • Verifying authenticity of invoices issued by the Group, on a sample basis; • Performing background search on major customers of the Group; and • Using big data analysis to analyse the monthly revenue, monthly order volume data, monthly shipment data and distributors data, and assessing the reasonableness of management's explanations for irregular fluctuation if any.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Estimation of impairment loss on loan receivables	
We identified the estimation of impairment loss on loan receivables as a key audit matter due to its quantitative significance to the consolidated financial statements and the significant estimation required in determining the impairment loss under expected credit loss ("ECL") model. As at December 31, 2022, the Group's loan receivables amounted to RMB175,293,000 (net of allowance for ECL of RMB10,323,000). The accounting policy of loan receivables and details of loan receivables are set out in notes 3, 28 and 45(b), respectively, to the consolidated financial statements.	Our procedures in relation to the valuation of loan receivables included: • Understanding the management process in assessing the impairment loss under ECL model on loan receivables; • Evaluating the competence, capabilities, and objectivity of the independent valuer and obtaining an understanding of its scope of work and terms of engagement; • Involving our internal specialist to evaluate the appropriateness of the valuation methodology and the reasonableness of the key input data adopted in the ECL model; and • Evaluating the historical accuracy of estimated allowance for ECL for loan receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Stephen C. L. Yuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 30, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5 & 6	**1,664,360**	1,597,132
Cost of sales		**(1,222,114)**	(1,138,209)
Gross profit		**442,246**	458,923
Other income	7	**43,851**	39,990
Other gains and losses	8	**3,149**	82,486
Selling and distribution expenses		**(219,411)**	(216,351)
Administrative expenses		**(83,226)**	(78,354)
Other expenses	9	**(59,788)**	(69,113)
Impairment losses recognised under expected credit loss model, net	10	**(21,367)**	(35,334)
Share of results of associates		**(6,738)**	(4,726)
Share of results of a joint venture		**1,593**	(6,680)
Finance costs	11	**(30,886)**	(30,972)
Profit before tax		**69,423**	139,869
Income tax expense	12	**(14,419)**	(31,564)
Profit and total comprehensive income for the year	13	**55,004**	108,305
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**56,974**	115,428
Non-controlling interests		**(1,970)**	(7,123)
		55,004	108,305
Earnings per share	16		
— Basic and diluted (RMB cents)		**13.73**	27.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	448,795	490,849
Right-of-use assets	18	204,175	213,594
Investment property	19	10,603	—
Intangible assets	20	31,648	37,486
Goodwill	21	38,337	27,449
Interests in associates	22	21,788	20,863
Interest in a joint venture	23	4,634	3,041
Loans to a joint venture	24a	158,949	172,023
Loan to a non-controlling shareholder of a subsidiary	24b	—	10,714
Loans to an associate	24c	—	5,667
Loan receivables	28	32,168	14,403
Financial asset at fair value through profit or loss	25	107,131	104,168
Deferred tax assets	40	2,711	1,845
Other receivables and deposits	26	1,775	2,102
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		12,000	12,520
Deposit paid for acquisition of a subsidiary	49c	93,000	—
		1,167,714	1,116,724
CURRENT ASSETS			
Inventories	27	104,729	104,793
Trade, bills and other receivables	26	145,376	180,988
Loan receivables	28	143,125	100,102
Amounts due from associates	29	48,879	44,353
Amounts due from non-controlling shareholders of subsidiaries	30a	—	11,531
Amounts due from a joint venture	30b	175,594	123,974
Amount due from a related party	30c	16	8
Loan to a non-controlling shareholder of a subsidiary	24b	9,608	—
Loan to an associate	24c	—	2,576
Income tax recoverable		1,855	3,588
Pledged/restricted bank deposits	31	99	21,044
Bank balances and cash	31	310,108	383,734
		939,389	976,691

Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES			
Trade, bills and other payables	32	267,269	371,306
Contract liabilities	33	92,092	59,350
Income tax payables		19,859	10,740
Bank borrowings	34	510,524	404,124
Amount due to a non-controlling shareholder of a subsidiary	35	—	1,123
Amounts due to related parties	36	226	—
Amount due to an associate	37	10	—
Deferred income	38	1,929	1,891
Lease liabilities	39	3,475	33,414
		895,384	881,948
NET CURRENT ASSETS		44,005	94,743
TOTAL ASSETS LESS CURRENT LIABILITIES		1,211,719	1,211,467
NON-CURRENT LIABILITIES			
Deferred tax liabilities	40	8,388	10,694
Deferred income	38	44,289	49,224
Bank borrowings	34	87,190	116,014
Lease liabilities	39	50,393	53,707
		190,260	229,639
NET ASSETS		1,021,459	981,828

Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
CAPITAL AND RESERVES			
Share capital	41	**3,285**	3,285
Reserves		**987,052**	947,896
Equity attributable to owners of the Company		**990,337**	951,181
Non-controlling interests		**31,122**	30,647
TOTAL EQUITY		**1,021,459**	981,828

The consolidated financial statements on pages 53 to 168 were approved and authorised for issue by the board of directors on March 30, 2023 and are signed on its behalf by:

HUANG XIANMING
DIRECTOR

TAN CHAOJUN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000 (Note a)	Special reserve RMB'000 (Note b)	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note c)	Accumulated profits RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2021	3,285	249,147	(107,000)	18,333	174,711	548,976	887,452	29,476	916,928
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	115,428	115,428	(7,123)	108,305
Appropriations	–	–	–	–	28,875	(28,875)	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary (note d)	–	–	–	–	–	–	–	9,769	9,769
Dividends recognised as distribution (note 15)	–	(51,699)	–	–	–	–	(51,699)	(1,475)	(53,174)
At December 31, 2021	3,285	197,448	(107,000)	18,333	203,586	635,529	951,181	30,647	981,828
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	56,974	56,974	(1,970)	55,004
Appropriations	–	–	–	–	653	(653)	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary (note d)	–	–	–	–	–	–	–	3,000	3,000
Dividends recognised as distribution (note 15)	–	(17,818)	–	–	–	–	(17,818)	(555)	(18,373)
At December 31, 2022	3,285	179,630	(107,000)	18,333	204,239	691,850	990,337	31,122	1,021,459

Notes:

a. The application of the share premium account is governed by the Company's Articles of Association and the Companies Law of Cayman Islands, which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

b. Amount represents the paid-in capital of the subsidiaries acquired of RMB120 million less the payment of cash to the ultimate controlling shareholder of RMB227 million in May 2014 pursuant to a group reorganisation resulting in a reduction of net assets of the Group, which accounted for as a deemed distribution recognised in equity directly.

c. Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of the group subsidiaries established in the People's Republic of China (the "PRC"), which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB136,161,000 (2021: RMB135,726,000) as at December 31, 2022 can be used to make up for previous years' losses or convert into additional capital of the relevant group subsidiaries. Discretionary surplus reserve amounting to approximately RMB68,078,000 (2021: RMB67,860,000) as at December 31, 2022 can be used to expand the existing operations of the relevant subsidiaries.

d. During the year ended December 31, 2022, the amount represents capital contribution from non-controlling shareholder of a subsidiary in form of cash contribution of RMB3,000,000.

For the year ended December 31, 2021, the amount represents capital contribution from non-controlling shareholder of a subsidiary in form of cash contribution of RMB9,769,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	69,423	139,869
Adjustments for:		
Amortisation of intangible assets	5,838	5,773
Depreciation of property, plant and equipment	56,475	50,354
Depreciation of right-of-use assets	9,576	11,307
Depreciation of investment property	672	—
Fair value gain on financial asset at FVTPL	(2,963)	(3,477)
Finance costs	30,886	30,972
Reversal of impairment loss on prepayment	—	(74,641)
Interest income from prepayment	—	(4,749)
Impairment losses recognised under expected credit loss model, net	21,367	35,334
Impairment losses (reversed) recognised on inventories	(110)	540
Imputed interest income	(90)	(100)
Interest income	(29,860)	(26,436)
Gain on disposal of property, plant and equipment	(1)	(58)
Release of deferred income	(5,077)	(5,876)
Share of results of a joint venture	(1,593)	6,680
Share of results of associates	6,738	4,726
Unrealised exchange loss (gain), net	320	(47)
Loss on deemed disposal of an associate	240	—
Operating cash flows before movements in working capital	161,841	170,171
Decrease (increase) in inventories	6,465	(7,852)
Decrease in trade, bills and other receivables	36,580	81,867
(Increase) decrease in amounts due from associates	(4,364)	2,601
Decrease (increase) in amounts due from non-controlling shareholders of subsidiaries	7,208	(9,276)
Increase in amounts due from a joint venture	(52,742)	(66,817)
Increase in amount due from a related party	(8)	(2)
Decrease in amount due to a non-controlling shareholder of a subsidiary	(1,123)	(3,444)
Increase (decrease) in amounts due to related parties	226	(46)
(Decrease) increase in trade, bills and other payables	(110,965)	60,206
Decrease in amount due to a joint venture	—	(23,660)
Increase in amount due to an associate	10	—
Increase (decrease) in contract liabilities	32,119	(71,751)
Cash generated from operations	75,247	131,997
Income tax paid	(6,358)	(30,343)
NET CASH FROM OPERATING ACTIVITIES	68,889	101,654

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
New loan receivables advanced		(47,000)	(98,300)
Repayment of loan receivables		11,000	24,812
Placement of pledged/restricted bank deposits		(99)	(21,005)
Withdrawal of pledged/restricted bank deposits		21,044	200
Deposit paid for acquisition of property, plant and equipment		(2,000)	—
Purchase of property, plant and equipment		(24,560)	(46,613)
Proceeds from disposal of property, plant and equipment		114	712
Net cash outflow on acquisition of a subsidiary	43	(18,988)	—
Loan advance to a joint venture		—	(162,600)
Advance to a joint venture		—	(60,000)
Loan advance to an associate		—	(16,000)
Acquisition of investment in an associate	22	(21,539)	—
Repayment of loans from a joint venture		15,300	15,300
Receipts of asset-related government grants		180	1,301
Interest received		19,582	18,818
Deposit paid for acquisition of a subsidiary		(93,000)	—
NET CASH USED IN INVESTING ACTIVITIES		(139,966)	(343,375)
FINANCING ACTIVITIES			
New bank borrowings raised		645,500	743,000
Repayment of bank borrowings		(567,924)	(531,862)
Dividends paid		(17,818)	(51,699)
Distribution to a non-controlling shareholder of a subsidiary		(555)	(1,475)
Interest paid on bank borrowings		(26,753)	(24,811)
Interest paid on lease liabilities		(4,133)	(2,698)
Repayments of lease liabilities		(33,444)	(5,075)
Capital contribution from a non-controlling shareholder of a subsidiary		3,000	9,769
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(2,127)	135,149
NET DECREASE IN CASH AND CASH EQUIVALENTS		(73,204)	(106,572)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		383,734	490,225
Effect of foreign exchange rate changes		(422)	81
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Represented by bank balances and cash		310,108	383,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. GENERAL INFORMATION

Jiashili Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on December 19, 2013. Its ultimate and immediate holding company is Great Logistics Global Limited and Kaiyuan Investments Limited, respectively. Its ultimate controlling shareholder is Mr. Huang Xianming and his family. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Flat A7, 5/F, Ngai Sheung Factory Building, 13 Elm Street, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and sales of biscuit and other products in Mainland China.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after January 1, 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after January 1, 2024.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and amendments to IFRSs in issue but not yet effective *(continued)*

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* (the "2020 Amendments") and Amendments to IAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after January 1, 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at December 31, 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and amendments to IFRSs in issue but not yet effective *(continued)*

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on January 1, 2023. As at December 31, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB54,130,000 and RMB53,868,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Business combinations

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Business combinations *(continued)*

Business combinations *(continued)*

- assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Goodwill *(continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Investments in associates and joint ventures *(continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Investments in associates and joint ventures *(continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration (e.g. discounts and rebates), the Group estimates the amount of consideration to which it will be entitled using the expected value method, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Right-of-use assets *(continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities *(continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Employee benefits *(continued)*

Short-term and other long-term employee benefits *(continued)*

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Properties in the course of construction for production, supply or administrative purposes (construction in progress) are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Investment property *(continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Intangible assets *(continued)*

Internally-generated intangible assets — research and development expenditure *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, investment property, right-of-use assets intangible assets other than goodwill and prepayments

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment property, right-of-use assets, intangible assets with finite useful lives and prepayments to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, investment property, right-of-use assets, intangible assets and prepayments are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Impairment on property, plant and equipment, investment property, right-of-use assets intangible assets other than goodwill and prepayments *(continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Bank balances and cash

Bank balances and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, bank balances and cash consist of bank balances and cash as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets *(continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade, bills and other receivables, loan receivables, amounts due from associates, non-controlling shareholders of subsidiaries, a joint venture and a related party, loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate, pledged/restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(continued)*

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(continued)*

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 *(continued)*

(v) Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Financial liabilities at amortised cost

Financial liabilities (including trade, bills and other payables, amounts due to a non-controlling shareholder of a subsidiary, an associate and related parties and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of financial asset at FVTPL

The fair value assessment of financial asset at FVTPL was made by the directors of the Company by reference to the valuation performed by an independent professional qualified valuer.

For the years ended December 31, 2022 and 2021, as there is limited operation in the investments of the unlisted equity investment fund, the fair value of the Group's financial asset at FVTPL was determined based on the asset based approach by subtracting the total liabilities of the unlisted equity investment fund from its total assets. The carrying amount of the unlisted equity investment fund as at December 31, 2022 was RMB107,131,000 (2021: RMB104,168,000) with fair value gain recognised in profit or loss of RMB2,963,000 (2021: RMB3,477,000) for the year then ended.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Fair value measurement of financial asset at FVTPL *(continued)*

Notwithstanding that the management of the Group employs an independent professional qualified valuer to perform the fair value assessment based on their assumptions, the fair value of this unlisted equity investment fund may be higher or lower depending on the future performance of the unlisted equity investment fund.

The information about the fair value measurement of the unlisted equity investment fund is set out in note 45(c).

Estimation of impairment loss under ECL model on financial assets at amortised cost

The Group's financial assets at amortised cost include trade, bills and other receivables, loan receivables, amounts due from associates, non-controlling shareholders of subsidiaries, a joint venture and a related party, loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate, pledged/restricted bank deposits and bank balances. For the years ended December 31, 2022 and 2021, the Group assesses internal credit rating for these financial assets respectively and then uses 12m ECL or lifetime ECL model to estimate ECL.

Notwithstanding that the management of the Group estimates ECL based on the information acquired at the years ended December 31, 2022 and 2021, the ECL of these financial assets is sensitive to changes in estimates and may be higher or lower depending on the future settlement of these financial assets.

The information about the impairment loss under ECL model on financial assets at amortised cost is set out in note 45(b).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue from major products and revenue by geographical locations is set out in note 6 as such analysis form part of the segment information reported to the management of the Group. All of the Group's revenue is recognised at a point in time.

Sales channels

	2022 **RMB'000**	2021 RMB'000
Distributors	**1,661,978**	1,595,576
Supermarkets	**2,382**	1,556
	1,664,360	1,597,132

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

5. REVENUE *(continued)*

(ii) Performance obligations for contracts with customers

The Group sells biscuit and other products to distributors and supermarkets throughout the PRC and also export biscuit and other products to locations other than the PRC.

For sales of biscuit and other products to customers, revenue is recognised at a point in time when control of the biscuit and other products is transferred, being when the goods have been shipped to the customers' specific location (delivery). Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, and have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods. For distributors, the Group normally receives an advance from customer before the good is delivered. For supermarkets, the normal credit term is from 30 to 180 days upon delivery.

Certain distributors would be offered discount or rebate if sales target is achieved in a specific period. The Group uses its accumulated historical experience to estimate the amount of discount or rebate using the expected value method. Revenue is reversed for sales which are considered highly probable that such discount or rebate will occur.

A contract liability represents the Group's obligation to sell biscuit and other products to customers for which the Group has received consideration (or an amount of consideration is due to) from customers while revenue has yet been recognised.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts for sale of biscuit and other products are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

Information reported to the executive directors of the Group, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of products manufactured and sold. The CODM reviews operating results and financial information on a product by product basis. Each individual type of product constitutes an operating segment. For operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, and are using similar production processes to produce goods and distribute or sell to similar classes of customers, their segment results are aggregated into one reportable segment. The CODM assesses the performance of the operating segments based on a measure of segment profit or loss which represents the gross profit of each operation segment.

The Group has one reportable segment under IFRS 8 as biscuit products.

In addition to the above reportable segment, none of the other operating segments met the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these were grouped in "Others".

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

2022

	Biscuit products RMB'000	Others RMB'000	Total RMB'000
Revenue	**1,594,970**	**69,390**	**1,664,360**
Segment results	**426,995**	**15,251**	**442,246**
Other income			**43,851**
Other gains and losses			**3,149**
Selling and distribution expenses			**(219,411)**
Administrative expenses			**(83,226)**
Other expenses			**(59,788)**
Impairment losses recognised under expected credit loss model, net			**(21,367)**
Share of results of associates			**(6,738)**
Share of results of a joint venture			**1,593**
Finance costs			**(30,886)**
Profit before tax			**69,423**

2021

	Biscuit products RMB'000	Others RMB'000	Total RMB'000
Revenue	1,527,510	69,622	1,597,132
Segment results	451,440	7,483	458,923
Other income			39,990
Other gains and losses			82,486
Selling and distribution expenses			(216,351)
Administrative expenses			(78,354)
Other expenses			(69,113)
Impairment losses recognised under expected credit loss model, net			(35,334)
Share of results of associates			(4,726)
Share of results of a joint venture			(6,680)
Finance costs			(30,972)
Profit before tax			139,869

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The consolidated assets and consolidated liabilities of the Group are regularly reviewed by CODM as a whole; therefore, the measure of total segment assets and total segment liabilities by operating and reportable segments is not presented.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2022

	Biscuit products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	52,876	3,372	227	56,475
Amortisation of intangible assets	5,067	771	—	5,838
Depreciation of right-of-use assets	8,616	960	—	9,576
Depreciation of investment property	—	672	—	672

Year ended December 31, 2021

	Biscuit products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	46,259	3,073	1,022	50,354
Amortisation of intangible assets	5,092	681	—	5,773
Depreciation of right-of-use assets	9,958	1,349	—	11,307

6. SEGMENT INFORMATION *(continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2022 RMB'000	2021 RMB'000
Revenue by products		
Sweet single piece biscuits	596,193	595,828
Salty single piece biscuits	56,496	54,263
Sandwich biscuits	525,647	463,370
Wafers	180,053	157,897
Coarse grain biscuits	83,474	103,858
Other biscuits	153,107	152,294
Others (note)	69,390	69,622
	1,664,360	1,597,132

Note: Others represents miscellaneous products other than biscuits, such as bread, mooncake, candies and soymilk.

Geographical information

All of the Group's operations are located in the PRC. Information about the Group's revenue from external customers by location of the relevant customers and non-current assets by location of assets is presented below:

	Revenue from external customers		Non-current assets (note a)	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
The PRC (country of domicile)	1,662,444	1,594,800	864,980	805,802
Others (note b)	1,916	2,332	—	—
	1,664,360	1,597,132	864,980	805,802

Notes:

(a) Non-current assets excluded financial instruments and deferred tax assets.

(b) Others represent export sales to locations other than the PRC.

No single customer contributed over 10% of the total revenue of the Group during both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

7. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants (note 38)	10,249	9,983
Interest income on:		
— bank balances and deposits	5,144	8,913
— loan receivables	16,595	7,829
— loans to a joint venture	7,447	8,340
— loan to a non-controlling shareholder of a subsidiary	674	1,354
Sales of packaging materials	2,657	2,146
Rental income	921	1,268
Others	164	157
	43,851	39,990

8. OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Allowance reversed (recognised) on inventories	110	(540)
Fair value gain on financial asset at FVTPL	2,963	3,477
Net foreign exchange gains	315	101
Reversal of impairment loss on prepayment (note)	—	74,641
Interest income from prepayment (note)	—	4,749
Loss on deemed disposal of an associate	(240)	—
Gain on disposal of property, plant and equipment	1	58
	3,149	82,486

Note: In 2019, an impairment loss of RMB74,641,000 has been provided in respect of a prepayment for purchase of flour from Guangdong Kailan Flour Co. Limited* 廣東開蘭麵粉有限公司 ("Kailan") in view of the concern over its solvency. On January 4, 2021, pursuant to the restructuring of Kailan as approved by the creditors and the Jiangmen People's Court, the insolvency administrators arranged the judicial auction for the sale of 100% equity interest in Kailan. The Group's joint venture, Guangdong Fengjia Food Co. Limited* 廣東豐嘉食品有限公司 ("Fengjia") succeeded in the bidding for the sale of 100% equity interest in Kailan in the judicial auction with a bidding cost of RMB210,000,000.

The acquisition of Kailan by Fengjia was completed on January 25, 2021. The Group shall be entitled to recover approximately RMB80,474,000, including the unutilised prepayment balance and interest, from Kailan as stipulated under the restructuring of Kailan. During the year ended December 31, 2021, the Group has recovered the unutilised prepayment balance of RMB75,421,000 from Kailan, plus interest income of RMB4,749,000, net of value added tax of RMB304,000. As such, a reversal of impairment loss of RMB74,641,000 on prepayment is recognised in 2021.

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

9. OTHER EXPENSES

	2022 RMB'000	2021 RMB'000
Research expenses	59,135	64,712
Donation expenses	434	2,788
Other non-operating expenses	219	1,613
	59,788	69,113

10. IMPAIRMENT LOSSES RECOGNISED UNDER EXPECTED CREDIT LOSS MODEL, NET

	2022 RMB'000	2021 RMB'000
Impairment losses recognised (reversed) on:		
— loan receivables	1,016	6,558
— loan to a non-controlling shareholder of a subsidiary	1,106	7,286
— loans to an associate	—	7,757
— loan to a joint venture	4,988	652
— amount due from a non-controlling shareholder of a subsidiary	5,037	10,823
— amount due from a joint venture	1,123	2,556
— trade receivables	3,765	(2,948)
— other receivables	4,332	2,650
	21,367	35,334

Details of impairment assessment are set out in note 45(b).

11. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses on		
— bank borrowings	26,753	24,811
— lease liabilities	4,133	6,161
	30,886	30,972

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

12. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")		
— Current year	16,518	13,441
— Underprovision in prior years	1,073	2,717
— PRC withholding tax	—	17,619
	17,591	33,777
Deferred tax (note 40):	(3,172)	(2,213)
	14,419	31,564

No provision for Hong Kong Profits Tax has been made for both years as the Group has no assessable profits arising in Hong Kong.

Guangdong Jiashili Food Group Co., Limited* 廣東嘉士利食品集團有限公司 ("Guangdong Jiashili") was accredited as a High-New Technology Enterprise by the Science and Technology Bureau of Guangdong Province (廣東省科學技術廳) and relevant authorities in the PRC with effect from January 2021 for a term of three years. Guangdong Jiashili was registered with the local tax authority to be eligible to the reduced 15% EIT rate for three years from 2021 to 2023.

For other group entities in the PRC, under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the EIT rate was 25% for both years.

According to Cai Shui 2008 No. 1, a joint circular of Ministry of Finance and State Administration of Taxation, dividend distributed out of the profits generated since January 1, 2008 by a PRC entity to a non-PRC tax resident shall be subject to withholding EIT pursuant to Articles 3 and 19 of the EIT Law.

The Company's subsidiaries that are PRC tax resident are required to withhold the PRC withholding EIT of 10% on dividend payment to their non-PRC resident immediate holding company.

* English name for identification purpose only.

12. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	69,423	139,869
Tax at PRC Tax rate of 25% (2021: 25%)	17,356	34,967
Tax effect on concessionary tax rate	(1,995)	(4,710)
Tax effect on concessionary policy on research and development expenses (note)	(12,131)	(14,513)
Tax effect of expenses not deductible for tax purpose	3,054	2,793
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	855	(353)
Tax effect of deductible temporary differences not recognised	3,116	6,298
Tax effect of tax losses not recognised	4,112	4,040
Utilisation of tax losses previously not recognised	(1,684)	(554)
Utilisation of deductible temporary differences previously not recognised	(27)	(737)
Reversal of deductible temporary differences previously not recognised	–	(18,855)
Tax effect on share of results of a joint venture	(398)	1,670
Tax effect on share of results of associates	1,685	1,182
Tax effect of withholding tax on distributed profits of the PRC subsidiaries	–	13,967
Tax effect of withholding tax on undistributed profits of the PRC subsidiaries	(597)	3,652
Underprovision in prior years	1,073	2,717
Income tax expense recognised in profit or loss	14,419	31,564

Note: It represents additional 100% (2021: 100%) tax deduction in respect of qualifying research and development expenses incurred for the year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

13. PROFIT FOR THE YEAR

	2022 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's remuneration (note 14)	**3,657**	3,367
Other employee benefits expenses:		
Salaries and allowances	**232,470**	217,308
Contributions to retirement benefits scheme	**22,708**	22,020
Total employee benefits expenses	**258,835**	242,695
Depreciation of property, plant and equipment	**56,475**	50,354
Depreciation of right-of-use assets	**9,576**	11,307
Depreciation of investment property	**672**	—
Amortisation of intangible assets (included in cost of sales)	**5,838**	5,773
Total depreciation and amortisation	**72,561**	67,434
Auditors' remuneration	**1,800**	2,119
Cost of inventories recognised as an expense (including reversal of allowance on inventories amounting to RMB110,000 (2021: allowance of RMB540,000)	**1,222,114**	1,138,209

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company and chief executive of the Group during the year are as follows:

	2022 RMB'000	2021 RMB'000
Director's fee	**1,001**	969
Salaries and allowances	**2,580**	2,386
Discretionary bonus	**65**	—
Contributions to retirement benefits scheme	**11**	12
	3,657	3,367

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

Directors' and chief executive's emoluments *(continued)*

Year ended December 31, 2022

	Director's fee RMB'000	Salaries and allowances, and benefit in kind RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors (note a)					
Mr. Huang Xianming 黃銑銘 *(Chairman and chief executive officer)*	154	803	–	–	957
Mr. Tan Chaojun 譚朝均 *(Vice chairman)*	154	581	36	2	773
Mr. Chen Songhuan 陳松浣	154	447	29	7	637
Mr. Liu Shouping 劉守平 *(Resigned on June 28, 2022)*	77	749	–	2	828
Independent Non-executive Directors (note b)					
Mr. Kam Robert 甘廷仲	154	–	–	–	154
Ms. Ho Man Kay 何文琪	154	–	–	–	154
Mr. Ma Xiao Qiang 馬曉強	154	–	–	–	154
	1,001	2,580	65	11	3,657

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

Directors' and chief executive's emoluments *(continued)*

Year ended December 31, 2021

	Director's fee RMB'000	Salaries and allowances, and benefit in kind RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors (note a)					
Mr. Huang Xianming 黃銑銘 *(Chairman and chief executive officer)*	149	706	–	1	856
Mr. Tan Chaojun 譚朝均 *(Vice chairman)*	149	508	–	4	661
Mr. Chen Songhuan 陳松浣	149	385	–	4	538
Mr. Liu Shouping 劉守平 *(Appointed on July 26, 2021)*	75	787	–	3	865
Non-executive Director					
Mr. Lin Xiao 林曉 *(Resigned on July 26, 2021)*	–	–	–	–	–
Independent Non-executive Directors (note b)					
Mr. Kam Robert 甘廷仲	149	–	–	–	149
Ms. Ho Man Kay 何文琪	149	–	–	–	149
Mr. Ma Xiao Qiang 馬曉強	149	–	–	–	149
	969	2,386	–	12	3,367

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Huang Xianming is a director and also the chief executive officer of the Company. The emoluments disclosed above are inclusive of services rendered by him as the chief executive officer.

Performance related bonus for the years ended December 31, 2022 and 2021 were determined by the management having regard to the performance of the directors of the Company and the Group's results from operation. Certain executive directors of the Company are entitled to bonus payments for the year ended December 31, 2022, while there is no performance related bonus provided to directors and chief executive for the year ended December 31, 2021.

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

Directors' and chief executive's emoluments *(continued)*

Year ended December 31, 2021 *(continued)*

Mr. Huang Xianming has also been employed by Guangdong Zhongchen Industrial Group Co. Limited* 廣東中晨實業集團有限公司 ("Zhongchen"), which is currently owned by Mr. Huang Xianming, the ultimate controlling shareholder of the Company. The payment of his contributions to retirement benefits scheme was centralised and made by Zhongchen for the year in which the amount are considered to be insignificant.

For the years ended December 31, 2022 and 2021, none of the directors of the Company has waived or agreed to waive any emoluments.

* English name for identification purpose only.

Employees' remuneration

The five highest paid individuals included four (2021: four) directors for the year ended December 31, 2022. The emoluments of the remaining one (2021: one) individual for the year ended December 31, 2022, are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and allowances	508	459
Contributions to retirement benefits scheme	7	5
	515	464

The number of the five highest paid employees including directors of the Company whose emoluments fell within the following bands is as follows:

	No. of individuals 2022	2021
Nil to HK$1,000,000 (equivalent to nil to RMB855,000) (2021: equivalent to nil to RMB829,000)	4	3
HK$1,000,001 to HK$1,500,000 (equivalent to more than RMB855,000 to RMB1,283,000) (2021: equivalent to more than RMB829,000 to RMB1,244,000)	1	2

During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

15. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim — nil (2021: 2021 Interim — HK10 cents) per share	–	34,433
2021 Final — HK5 cents (2021: 2020 Final — HK5 cents) per share	17,818	17,266
	17,818	51,699

Subsequent to the end of the reporting period, a final dividend of HK5 cents (2021: HK5 cents) per share, amounting to approximately HK$20,750,000 (equivalent to approximately RMB18,536,000) (2021: approximately HK$20,750,000 (equivalent to approximately RMB16,965,000)), has been proposed by the directors of the Company and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

16. EARNINGS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	56,974	115,428

	2022 '000	2021 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	415,000	415,000

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2021	271,038	31,383	307,628	38,480	19,128	69,152	736,809
Additions	2,116	–	3,183	235	256	40,823	46,613
Transfer	21,355	–	68,360	11,011	59	(100,785)	–
Disposals	–	–	(10)	(1,249)	–	–	(1,259)
At December 31, 2021	294,509	31,383	379,161	48,477	19,443	9,190	782,163
Additions	5,088	–	1,444	1,454	121	16,453	24,560
Acquired through acquisition of a subsidiary (note 43)	–	–	879	370	–	–	1,249
Disposals	(4)	–	(555)	(672)	(120)	–	(1,351)
Transfer	2,340	–	13,500	1,357	–	(17,197)	–
Reclassified as investment property	(18,914)	–	–	–	–	–	(18,914)
At December 31, 2022	283,019	31,383	394,429	50,986	19,444	8,446	787,707
ACCUMULATED DEPRECIATION							
At January 1, 2021	69,115	12,458	115,753	30,912	13,327	–	241,565
Provided for the year	15,173	4,963	21,614	5,709	2,895	–	50,354
Eliminated on disposals	–	–	(5)	(600)	–	–	(605)
At December 31, 2021	84,288	17,421	137,362	36,021	16,222	–	291,314
Provided for the year	14,908	4,963	27,927	6,352	2,325	–	56,475
Eliminated on disposals	(2)	–	(460)	(661)	(115)	–	(1,238)
Reclassified as investment property	(7,639)	–	–	–	–	–	(7,639)
At December 31, 2022	91,555	22,384	164,829	41,712	18,432	–	338,912
CARRYING VALUES							
At December 31, 2022	191,464	8,999	229,600	9,274	1,012	8,446	448,795
At December 31, 2021	210,221	13,962	241,799	12,456	3,221	9,190	490,849

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis over the following useful lives:

Buildings	20 years
Leasehold improvement	Over the shorter of the term of the lease, or 6 years
Plant and machinery	5 to 10 years
Office equipment	3 to 5 years
Motor vehicles	5 years

All the Group's buildings are located in the PRC.

18. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
As at December 31, 2022			
Carrying amount	**82,196**	**121,979**	**204,175**
As at December 31, 2021			
Carrying amount	**84,436**	**129,158**	**213,594**
For the year ended December 31, 2022			
Depreciation charge	**2,240**	**7,336**	**9,576**
For the year ended December 31, 2021			
Depreciation charge	**2,240**	**9,067**	**11,307**

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**845**	1,018
Total cash outflow for leases	**38,422**	8,791
Additions to right-of-use assets	**195**	126,867

18. RIGHT-OF-USE ASSETS *(continued)*

The above items right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For both years, the Group leases various factory buildings, offices premises and motor vehicle for its operation. Lease contracts are entered into for fixed term of 1 year to 50 years with fixed payment. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Leasehold lands are entered into for fixed term of 30 to 50 years with fixed payment. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for office premises and motor vehicle. As at December 31, 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

Restrictions on leases

In addition, lease liabilities of RMB53,868,000 (2021: RMB87,121,000) were recognised with related right-of-use assets of RMB54,130,000 (2021: RMB129,159,000) as at December 31, 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 39 and 45(b).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

19. INVESTMENT PROPERTY

The Group leases out factory building under an operating lease with rentals payable quarterly. The lease runs for a period of six years. The lease contract does not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The Group uses the cost model to measure investment property.

	Total
	RMB'000
COST	
At January 1, 2021 and December 31, 2021	—
Reclassified from property, plant and equipment	11,275
At December 31, 2022	11,275
DEPRECIATION	
At January 1, 2021 and December 31, 2021	—
Provided for the year	672
At December 31, 2022	672
CARRYING VALUES	
At December 31, 2022	10,603
At December 31, 2021	—

The fair value of the Group's investment property at 31 December 2022 was RMB23,101,000. The fair value has been arrived at based on a valuation carried out by the management.

The fair value was determined based on the income approach, where the market rental of the property is assessed and discounted at the market yield expected by investors for this type of property. The market rental is assessed by reference to the rental achieved in the whole property as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the locality and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property.

In estimating the fair value of the property, the highest and best use of the property is its current use.

19. INVESTMENT PROPERTY *(continued)*

Details of the Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2022	
	Carrying amount RMB'000	Fair value at Level 3 hierarchy RMB'000
Factory building located in Suqian City, Jiangsu Province	**10,603**	**23,101**

The above investment property is depreciated on a straight-line basis over the term of the lease per annum.

20. INTANGIBLE ASSETS

	Trademarks RMB'000
COST	
At January 1, 2021 and December 31, 2021	62,646
Additions	—
At December 31, 2022	62,646
AMORTISATION	
At January 1, 2021	19,387
Charge for the year	5,773
At December 31, 2021	25,160
Charge for the year	5,838
At December 31, 2022	30,998
CARRYING VALUES	
At December 31, 2022	31,648
At December 31, 2021	37,486

Trademarks have an estimated useful life of 10 years and are amortised on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

21. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES

	Acquisition of Silang and Kamtai RMB'000	Acquisition of Jiarun RMB'000	Total RMB'000
COST AND CARRYING VALUES			
At January 1, 2021 and December 31, 2021	27,449	—	27,449
Arising on acquisition of a subsidiary (note 43)	—	10,888	10,888
At December 31, 2022	27,449	10,888	38,337

The goodwill of RMB27,449,000 was acquired in the business combination of Dongguan Kamtai Foods Co. Limited* 東莞錦泰食品有限公司 ("Kamtai") and Silang Foods (Huaibei) Co. Limited* 思朗食品(淮北)有限公司 ("Silang") during the year ended December 31, 2018. The business of Kamtai and Silang was integrated into the Group's various biscuit cash-generating units ("CGUs"), and the Group allocated the goodwill attributable to Kamtai and Silang to CGUs using a relative fair value approach.

The goodwill of RMB10,888,000 was acquired in the acquisition of Kaiping Jiarun (as defined in note 22) during the year ended December 31, 2022. The business of Kaiping Jiarun was identified as an individual soymilk CGU.

* English name for identification purpose only.

The Group completed an assessment of any potential goodwill impairment for all CGUs at the year end, and concluded that no impairment as at December 31, 2022 and 2021.

For the purposes of impairment testing, as a result of the allocation, goodwill has been allocated to six individual CGUs. The carrying amounts of goodwill allocated to these units are as follows:

	2022 RMB'000	2021 RMB'000
Single piece biscuits CGU	1,535	1,535
Sandwich biscuits CGU	3,106	3,106
Wafers CGU	988	988
Coarse grain biscuits CGU	21,799	21,799
Other biscuits CGU	21	21
Soymilk CGU	10,888	—
	38,337	27,449

21. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES *(continued)*

In addition to goodwill above, property, plant and equipment, investment property, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGUs for the purpose of impairment assessment.

The recoverable amounts of the above CGUs were determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by the management of the Group covering a 3-year (2021: 3-year) period.

The following table sets out the key assumptions for the value in use calculation of the CGUs that have significant goodwill with indefinite useful lives.

	2022					2021			
	Crisp biscuits CGU	Sandwich biscuits CGU	Wafers CGU	Coarse grain biscuits CGU	Soymilk CGU	Crisp biscuits CGU	Sandwich biscuits CGU	Wafers CGU	Coarse grain biscuits CGU
Pre-tax discount rate	12%	12%	12%	12%	16%	12%	12%	12%	12%
Long-term growth rate	2%	2%	2%	2%	2%	2%	2%	2%	2%

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the CGUs.

Cash flows beyond the 3-year (2021: 3-year) period are extrapolated using the estimated growth rates stated above. These growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGUs' past performance and management's expectations for the market development.

During the year ended December 31, 2022 and 2021, management of the Group determines that there is no impairment on the CGUs. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each of the CGU to exceed the aggregate recoverable amount of each of the CGU.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

22. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of investments in associates — unlisted	22,821	30,282
Share of post-acquisition results of associates	(1,057)	(9,333)
Exchange adjustments	24	(86)
	21,788	20,863

Details of the Group's associates at the end of the reporting periods are as follows:

Name of associates	Place of incorporation/ establishment/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2022	2021	2022	2021	
Hong Kong Ruishiyue (International) Food Co., Limited 香港瑞士樂(國際)食品有限公司 ("Hong Kong Ruishiyue") (note a)	Hong Kong	5%	5%	50%	50%	Investment holding and sale of candy and biscuits
Kaiping Jiarun Investment Co., Limited* 開平市嘉潤投資有限公司 ("Kaiping Jiarun") (note b)	The PRC	N/A	45%	N/A	45%	Investment holding and sale of soymilk products
Chengdu Tianjianjun Agricultural Technology Co., Limited* 成都天健君農業科技有限公司 ("Tianjianjun") (note c)	The PRC	35%	–	20%	–	Manufacture and sale of rice

Notes:

(a) The board composition of Hong Kong Ruishiyue comprised of four directors, in which two of the directors are appointed by the Group and the remaining two directors are appointed by each of the other two independent shareholders. The resolution of the board of directors of Hong Kong Ruishiyue requires approval by simple majority. As such, the Group can exercise significant influence in deciding Hong Kong Ruishiyue's financial or operating policies and accordingly the Group accounts for its interest in Hong Kong Ruishiyue as an associate.

Hong Kong Ruishiyue has a wholly foreign-owned subsidiary, namely Guangdong Ruishiyue Food Co., Limited* 廣東瑞士樂食品有限公司 ("Guangdong Ruishiyue"), in the PRC, which is principally engaged in manufacturing and selling of candy and biscuits.

22. INTERESTS IN ASSOCIATES *(continued)*

Notes: *(continued)*

(b) In the prior year, the Group held 45% equity interest in Kaiping Jiarun and accounted for the investment as an associate. On September 27, 2022, the Group entered an equity transfer agreement with another shareholder of Kaiping Jiarun. Pursuant to the equity transfer agreement, the Group agreed to purchase the remaining 55% equity interest in Kaiping Jiarun for a cash consideration of RMB21,000,000. The registration of the change of shareholder of Kaiping Jiarun was completed on October 20, 2022. Since then, Kaiping Jiarun has become a wholly-owned subsidiary of the Group. As at December 31, 2022, the Group has paid all cash consideration of RMB21,000,000.

Kaiping Jiarun has a wholly owned subsidiary, namely Guangdong Quancheng Great Healthy Beverage Co. Limited* 廣東全成大健康飲品有限公司 ("Quancheng"), in the PRC which is engaged in manufacture and sale of soymilk.

(c) On January 6, 2022, the Group entered into the first capital increase agreement with other four independent third parties. Pursuant to the first capital increase agreement, the registered capital of Tianjianjun shall increase by RMB1,340,000 to RMB6,700,000. The Group shall inject a sum of RMB10,000,000, of which RMB1,340,000 will be contributed by the Group as registered capital of Tianjianjun for 20% equity interest in Tianjianjun.

On May 20, 2022, the Group entered into the second capital increase agreement on Tianjianjun with other four independent third parties. Pursuant to the second capital increase agreement, the registered capital of Tianjianjun shall further increase by RMB1,546,000 to RMB8,246,000. The Group shall further inject a sum of RMB11,539,000, of which RMB1,546,000 will be contributed by the Group as registered capital. Upon the completion of the injection, the proportion of ownership interest in Tianjianjun held by the Group will increase to 35% from 20%.

As at December 31, 2022, the Group totally injected RMB21,539,000 into Tianjianjun.

Pursuant to the Articles of Association of Tianjianjun, the board composition of Tianjianjun consists of five directors, in which one of the directors is appointed by the Group and the remaining four directors were appointed by other four shareholders of Tianjianjun. The resolution of the board of directors of Tianjianjun requires approval by simple majority. The Group can exercise significant influence in deciding Tianjianjun's financial or operating policies. Accordingly, the Group accounts for its interest in Tianjianjun as an associate.

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

22. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs. The associates are accounted for using the equity method in these consolidated financial statements.

Tianjianjun

	2022 RMB'000
Current assets	14,719
Non-current assets	12,953
Current liabilities	(5,215)
Revenue	1,559
Loss and total comprehensive expense for the year	(3,195)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Tianjianjun recognised in the consolidated financial statements:

	2022 RMB'000
Net assets of Tianjianjun	22,457
Proportion of the Group's ownership interest in Tianjianjun	35%
The Group's share of net assets of Tianjianjun	7,860
Adjustment for share of result during 20% of ownership interest held by the Group	279
Goodwill	12,560
Carrying amount of the Group's interest in Tianjianjun	20,699

22. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates *(continued)*

Kaiping Jiarun

	2021 RMB'000
Current assets	48,795
Non-current assets	2,604
Current liabilities	(10,904)
Non-current liabilities	(11,000)
Revenue	21,010
Loss and total comprehensive expense for the year	(10,123)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Kaiping Jiarun recognised in the consolidated financial statements:

	2021 RMB'000
Net assets of Kaiping Jiarun	29,495
Proportion of the Group's ownership interest in Kaiping Jiarun	45%
The Group's share of net assets of Kaiping Jiarun	13,273
Adjustment for unpaid registered capital by shareholders	6,500
Carrying amount of the Group's interest in Kaiping Jiarun	19,773

On October 20, 2022, the Group completed the acquisition of the remaining 55% equity interest in Kaiping Jiarun. Kaiping Jiarun was no longer an associate of the Group since then.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

23. INTEREST IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Cost of investment in a joint venture	**10,200**	10,200
Share of post-acquisition results of a joint venture	**(5,566)**	(7,159)
	4,634	3,041

Details of the Group's joint venture at the end of the reporting periods are as follows:

Name of joint venture	Place of establishment/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2022	2021	**2022**	2021	
Fengjia (note)	The PRC	**51%**	51%	**50%**	50%	Manufacture and sale of flour

Note: In May 2020, the Group established Fengjia jointly with an independent third party, Beidahuang Fengyuan Group Co., Limited* 北大荒豐緣集團有限公司 ("Beidahuang"). Pursuant to the joint venture agreement of Fengjia, the total registered capital is RMB20 million, among which, RMB9.8 million is to be contributed by Beidahuang and the remaining RMB10.2 million is to be contributed by the Group. The board of Fengjia comprised of five directors, in which three of the directors were appointed by the Group and the remaining two directors were appointed by Beidahuang. The board resolution requires approval by directors representing both the Group and Beidahuang in the board of directors meeting. Accordingly, the Group concluded that the Group has joint control over Fengjia and accounted for its interest in Fengjia as a joint venture.

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

23. INTEREST IN A JOINT VENTURE *(continued)*

Summarised financial information of a material joint venture

Summarised financial information in respect of Fengjia is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs. The joint venture is accounted for using the equity method in these consolidated financial statements.

Fengjia

	2022 RMB'000	2021 RMB'000
Current assets	**144,531**	83,476
Non-current assets	**209,521**	221,868
Current liabilities (note)	**(180,377)**	(126,706)
Non-current liabilities (note)	**(164,589)**	(172,675)

Note: Current liabilities mainly includes advance from the Group of RMB60,000,000 (2021: RMB60,000,000) and prepayment for raw materials from the Group of RMB117,192,000 (2021: RMB66,530,000). Non-current liabilities includes loans advance from the Group of RMB150,000,000 (2021: RMB165,300,000) and accrued interest to the Group of RMB14,589,000 (2021: RMB7,375,000). Details are disclosed in notes 30(b) and 24(a), respectively.

	2022 RMB'000	2021 RMB'000
Revenue	**296,459**	161,885
Profit (loss) and total comprehensive income (expense) for the period	**3,123**	(13,097)
Share of profit (loss) of a joint venture	**1,593**	(6,680)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

23. INTEREST IN A JOINT VENTURE *(continued)*

Summarised financial information of a material joint venture *(continued)*

Fengjia *(continued)*

The above profit (loss) for the period includes the followings:

	2022 **RMB'000**	2021 RMB'000
Interest income	**84**	41
Interest expense	**(7,447)**	(8,340)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Fengjia recognised in the consolidated financial statements:

	2022 **RMB'000**	2021 RMB'000
Net assets of Fengjia	**9,086**	5,963
Proportion of the Group's ownership interest in Fengjia	**51%**	51%
Carrying amount of the Group's interest in Fengjia	**4,634**	3,041

24. LOANS TO A JOINT VENTURE, A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AN ASSOCIATE

(a) Loans to a joint venture

The amounts represent loans advanced to Fengjia, a joint venture, with an aggregated principal value of RMB150,000,000 (2021: RMB165,300,000) and accrued interest of RMB14,589,000 (2021: RMB7,375,000). During the year ended December 31, 2022, an impairment loss under ECL model of RMB4,988,000 (2021: RMB652,000) was recognised in the profit or loss for the loans to a joint venture. The loan amount of RMB150,000,000 (2021: RMB150,000,000) is non-trade in nature, secured by 100% equity interest of Kailan, the wholly-owned subsidiary of Fengjia, and interest bearing at 5% (2021: 5%) per annum. The remaining amount of RMB15,300,000 at December 31, 2021 is non-trade in nature, unsecured and interest bearing at 5% per annum which has been repaid in 2022. The Group expects the loan, including the accrued interest, would be recovered more than one year, therefore, the amounts are classified as non-current.

24. LOANS TO A JOINT VENTURE, A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AN ASSOCIATE *(continued)*

(b) Loan to a non-controlling shareholder of a subsidiary

The amount represents a loan advanced to a non-controlling shareholder of a subsidiary, with aggregated principal value of RMB18,000,000 (2021: RMB18,000,000). During the year ended December 31, 2022, an impairment loss under ECL model of RMB1,106,000 (2021: RMB7,286,000) was recognised in the profit or loss for the loan to a non-controlling shareholder of a subsidiary. The amount is non-trade in nature, secured with the non-controlling shareholder's equity interests in the subsidiary, 60% equity interest of the non-controlling shareholder and 5.17% equity interest of an entity in the PRC, and interest bearing at 8% per annum. The amount is repayable in 2023 and therefore classified as current.

(c) Loans to an associate

The amounts represent loans advanced to an associate, with aggregated principal value of RMB16,000,000 at December 31, 2021. During the year ended December 31, 2022, this associate became a wholly owned subsidiary of the Group, and these loans have been effectively settled accordingly. Details are disclosed in notes 22 and 43 respectively. Before the acquisition, an impairment loss under ECL model of RMB7,757,000 was recognised in the profit or loss in 2021 for the loans to an associate. The amounts are non-trade in nature, non-interest bearing and guaranteed by the directors of the associate.

Details of impairment assessment subject to ECL model are disclosed in the note 45(b).

25. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into a limited partnership agreement for setting up an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥) Tsingtao Jia Hui Equity Investment Fund (Limited Partnership) ("Jia Hui LLP"), with three independent third parties. Pursuant to the limited partnership agreement, RMB103,500,000 is to be contributed by the Group as a limited partner. Jia Hui LLP was set up on May 16, 2019. As at December 31, 2022 and 2021, the unlisted equity investment fund is classified as a non-current asset, of which Jia Hui LLP consists of six years term to maturity. Management of the Jia Hui LLP shall vest exclusively to the general partner of Jia Hui LLP ("GP"). Limited partners of Jia Hui LLP ("LPs") shall have the exclusive authority to monitor and oversight the behavior of the GP and they shall not involve in the daily operation and are not allowed to act on behalf of the Jia Hui LLP externally. Jia Hui LLP is accounted for as a financial asset at FVTPL. As at December 31, 2022, the fair value of Jia Hui LLP is amounting to RMB107,131,000 (2021: RMB104,168,000) with a fair value gain recognised in profit or loss of RMB2,963,000 (2021: RMB3,477,000) for the year ended December 31, 2022.

The fair value of the Group's unlisted equity investment fund at December 31, 2022 and 2021 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited ("Asset Appraisal"), an independent qualified professional valuer not connected with the Group. Asset Appraisal is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience.

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 45(c).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

26. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS

	2022 RMB'000	2021 RMB'000
Trade and bills receivables	37,791	24,455
Less: allowance for ECL	(5,461)	(3,182)
Total trade and bills receivables, net	32,330	21,273
Prepayments for purchase of raw materials (note a)	29,625	74,108
Other receivables, net of allowance (note b)	32,126	30,178
Other prepayments (note c)	51,303	55,598
Rental and utility deposits	1,767	1,933
	147,151	183,090
Less: amount shown under current assets	(145,376)	(180,988)
Amount shown under non-current assets as other receivables and deposits (note d)	1,775	2,102

Trade and bills receivables

As at January 1, 2021, trade and bills receivables amounting to RMB20,995,000.

The following is an analysis of trade and bills receivables by age, net of allowance for ECL, presented based on the date of delivery of goods or the receipt date of bills receivables, which approximated the respective revenue recognition, at the end of the reporting period.

	2022 RMB'000	2021 RMB'000
Within 2 months	15,846	14,626
Over 2 months but within 3 months	1,429	1,202
Over 3 months but within 6 months	15,055	2,980
Over 6 months but within 1 year	—	2,465
	32,330	21,273

As at December 31, 2022, total bills are amounting to RMB6,208,000 (2021: RMB8,471,000) with a maturity period of less than one year held by the Group.

26. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS *(continued)*

Trade and bills receivables *(continued)*

As at December 31, 2022, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB14,911,000 (2021: RMB5,337,000) which are past due as at the reporting date. Out of the past due balances, RMB2,837,000 (2021: RMB3,027,000) has been past due 90 days or more and are considered as in default.

The Group does not hold any collateral over trade and bills receivables.

Prepayments, other receivables and deposits

Notes:

(a) Prepayments for purchase of raw materials mainly comprised of prepayments for packaging materials.

(b) Other receivables net of allowance represent value added tax deductible to be certified, advances to staff and other miscellaneous deposits, which are unsecured and non-interest bearing.

During the year, the Group has recognised an impairment loss of RMB4,332,000 (2021: RMB2,650,000) on other receivables in the profit or loss.

(c) Other prepayments represent prepaid logistic fee to logistics companies to maintain a long term cooperation relationship and enjoy preferential price offered by the suppliers.

(d) The amount represents i) rental and utility deposits due after one year, ii) advances to staff due after one year and iii) advances to other company due after one year and therefore, classified as non-current.

Details of impairment assessment of trade, bills and other receivables are set out in note 45(b).

27. INVENTORIES

	2022 **RMB'000**	2021 RMB'000
Raw materials and packing materials	**73,732**	73,278
Work-in-progress	**353**	2
Finished goods	**30,644**	31,513
	104,729	104,793

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

28. LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Fixed-rate loan receivables	185,616	123,812
Less: allowance for ECL	(10,323)	(9,307)
	175,293	114,505
Analysed as		
Current	143,125	100,102
Non-current	32,168	14,403
	175,293	114,505

The effective interest rate of the loan receivables is ranged from 0.0% to 18.0% (2021: 6.0% to 18.0%) per annum.

As at December 31, 2022, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB31,512,000 (2021: RMB31,512,000) which are past due 90 days or more. The directors of the Company consider credit risks have increased significantly and those past due more than 90 days are considered as credit-impaired.

As at December 31, 2022, the carrying amount of loan receivables amounting to RMB29,512,000 (2021: RMB29,512,000) are secured by collaterals such as land, retail stores, manufacturing plant and residential building (2021: land, retail stores, manufacturing plant and residential building). The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables. The Group has not recognised a loss allowance for the loan receivables as a result of these collaterals.

Included in the carrying amount of loan receivables as at December 31, 2022 is accumulated impairment losses of RMB10,323,000 (2021: RMB9,307,000).

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28. LOAN RECEIVABLES *(continued)*

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	2022 RMB'000	2021 RMB'000
Fixed-rate loan receivables		
Within one year	151,316	107,512
In more than one year but not more than two years	34,300	11,000
In more than two years but not more than five years	–	5,300
	185,616	123,812

Details of impairment assessment of loan receivables are set out in note 45(b).

29. AMOUNTS DUE FROM ASSOCIATES

	2022 RMB'000	2021 RMB'000
Trade receivables	569	293
Prepayment for purchase of goods	38,310	37,060
Distribution deposit	10,000	7,000
	48,879	44,353

The amounts are unsecured, non-interest bearing and in the opinion of the directors of the Company, the amounts will be repaid or utilised to set off the Group's future purchase or sales from the associates within one year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

29. AMOUNTS DUE FROM ASSOCIATES *(continued)*

The following is an analysis of trade receivables by age, presented based on the delivery of goods, which approximated the respective revenue recognition dates at the end of the reporting period.

	2022 RMB'000	2021 RMB'000
Within 2 months	241	275
Over 2 months but within 3 months	202	—
Over 3 months but within 6 months	126	—
Over 6 months but within 1 year	—	18
	569	293

Details of impairment assessment of amounts due from associates are set out in note 45(b).

30. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/A RELATED PARTY

(a) Amounts due from non-controlling shareholders of subsidiaries

	2022 RMB'000	2021 RMB'000
Trade receivables	13,236	20,414
Interest receivables	2,594	1,880
Other receivables	30	60
	15,860	22,354
Less: allowance for ECL	(15,860)	(10,823)
Amounts due from non-controlling shareholders of subsidiaries, net	—	11,531

The amounts are unsecured, non-interest bearing and repayable on demand. The amounts will be repaid within one year.

30. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/A RELATED PARTY *(continued)*

(a) Amounts due from non-controlling shareholders of subsidiaries *(continued)*

The following is an analysis of trade receivables by age, net of allowance for ECL, presented based on the delivery of goods, which approximated the respective revenue recognition dates at the end of the reporting period.

	2022 **RMB'000**	2021 RMB'000
Over 3 months but within 6 months	**553**	20,414
Over 1 year	**12,683**	–
	13,236	20,414

(b) Amounts due from a joint venture

The amounts represent advance of RMB60,000,000 (2021: RMB60,000,000) and purchase prepayment for raw materials of RMB119,273,000 (2021: RMB66,530,000). During the year ended December 31, 2022, an impairment loss under ECL model of RMB1,123,000 (2021: RMB2,556,000) was recognised in the profit or loss for the amounts due from a joint venture. The amounts are unsecured, non-interest bearing and repayable on demand. The amounts will be repaid or utilised to set off the Group's future purchase from the joint venture within one year.

(c) Amount due from a related party

The amount is unsecured, non-interest bearing and repayable on demand.

Details of impairment assessment of amounts due from non-controlling shareholders of subsidiaries, a joint venture and a related party are set out in note 45(b).

31. PLEDGED/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

As at December 31, 2022, the restricted bank deposit of RMB99,000 was frozen by court on August 8, 2022 for a dispute case of labor relation. The balance carries interest at 0.25% per annum.

As at December 31, 2021, the pledged bank deposit of RMB21,000,000 represented the guarantee provided by the Group in favour of the administrators for the due performance of Fengjia of its obligations in the bidding for the sale of 100% interest in Kailan. The deposit was settled on January 21, 2022. The remaining balance of pledged bank deposit of RMB44,000 represented deposits pledged to banks to secure the bills payables issued to suppliers of the Group for the purchase of raw materials. The pledged bank deposits carried interest ranged from 0.35% to 1.75% per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

31. PLEDGED/RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

(continued)

Bank balances of RMB310,042,000 (2021: RMB383,704,000) carry interest at floating interest rates per annum as follows:

	Bank balances
At December 31, 2022	0.01%–1.80%
At December 31, 2021	0.03%–1.32%

Pledged/restricted bank deposits/bank balances and cash are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	309,087	398,062
Hong Kong Dollars ("HK$")	709	3,141
US Dollars ("US$")	411	3,575
	310,207	404,778

RMB is not freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to foreign exchange restrictions imposed by the PRC government.

Details of impairment assessment of pledged/restricted bank deposits and bank balances are set out in note 45(b).

32. TRADE, BILLS AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	156,930	152,867
Bills payables	6,080	97,100
Total trade and bills payables	163,010	249,967
Transportation fee payables	20,955	24,705
Payroll and welfare payables	35,730	36,168
Accrued expenses	26,673	38,629
Other payables	3,863	3,367
Other tax payables	17,038	18,470
	267,269	371,306

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

32. TRADE, BILLS AND OTHER PAYABLES *(continued)*

Trade and bills payables

The credit period on purchase of goods is ranged from 7 to 45 days from the invoice date. The Group has financial risk management policies in place to ensure that all payables are settled within the credit limit frame.

The following is an analysis of trade payables by age, presented based on the invoice date at the end of each reporting period:

	2022 **RMB'000**	2021 RMB'000
Within 3 months	**150,739**	152,177
Over 3 months but within 6 months	**5,569**	518
Over 6 months but within 1 year	**259**	52
Over 1 year	**363**	120
	156,930	152,867

All bills payables are due within one year. The following is an analysis of bills payables by maturity date at the end of each reporting period:

	2022 **RMB'000**	2021 RMB'000
Within 3 months	**6,080**	76,070
Over 3 months but within 6 months	**—**	21,030
	6,080	97,100

33. CONTRACT LIABILITIES

	2022 **RMB'000**	2021 RMB'000
Sales of biscuit and other products	**92,092**	59,350

As at January 1, 2021, contract liabilities amount to RMB131,101,000.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

33. CONTRACT LIABILITIES *(continued)*

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**59,350**	131,101

The Group generally requires advance payment from majority of the customers before the delivery of goods. When the Group receives an advance from customer before the goods delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount received. The significant increase (2021: decrease) in contract liabilities in the current year was mainly due to the fact that the Spring Festival in 2023 is earlier than that in 2022, as a result of that, more sales orders were received from customers close to the last year end while the biscuit and other products were delivered to the distributors subsequently.

34. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Bank borrowings — unsecured	**597,714**	520,138
The carrying amounts of the above bank borrowings are repayable*:		
Within one year	**424,524**	404,124
Within a period of more than one year but not exceeding two years	**10,738**	83,324
Within a period of more than two years but not exceeding five years	**52,214**	32,690
Within a period of more than five years	**24,238**	—
	511,714	520,138
The carrying amount of above borrowings that are repayable on demand due to breach of loan covenant (shown under current liabilities)	**86,000**	—
	597,714	520,138
Less: amount due within one year shown under current liabilities	**(510,524)**	(404,124)
Amounts shown under non-current liabilities	**87,190**	116,014

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

34. BANK BORROWINGS *(continued)*

The exposure of the Group's bank borrowings are as follows:

	2022 RMB'000	2021 RMB'000
Fixed-rate bank borrowings	359,000	314,100
Variable-rate bank borrowings	238,714	206,038
	597,714	520,138

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2022	2021
Effective interest rate:		
Fixed-rate bank borrowings	3.00% to 3.80%	2.89% to 4.10%
Variable-rate bank borrowings	3.45% to 4.55%	3.45% to 4.90%

As at December 31, 2022, pursuant to bank borrowings agreement of a group entity, the group entity breached one of the financial covenants, mainly related to the period-to-period change in profits ratio of that group entity. This caused the bank has the right to demand immediate repayment of the bank borrowings with principal of RMB218,800,000 and related interest by the group entity. On discovery of the breach, the directors of the Company had informed the lender. Up to the date of this report, the lender did not exercise the right of demand of immediate repayment of these bank borrowings. As such, bank loans at December 31, 2022 of RMB86,000,000 with original repayment terms over one year are classified as current liabilities. In any event, should the lender call for immediate repayment of the loan, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

35. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, non-interest bearing which represents the trade payable for purchase of goods.

The credit period for the non-controlling shareholder of a subsidiary is 60 days from the invoice date. The following is an analysis of trade payables to a non-controlling shareholder of a subsidiary by age, presented based on the invoice date at the end of each reporting period:

	2022	2021
	RMB'000	RMB'000
Within 3 months	**–**	1,123

36. AMOUNTS DUE TO RELATED PARTIES

The amounts represent trade payable of RMB208,000 (2021: nil) for purchase from related parties and other payable of RMB18,000 (2021: nil) for employee benefits expenses paid by related parties on behalf of the Group. The amounts are unsecured and non-interest bearing.

The credit period on the purchase with the related party is 60 days from the invoice date. The following is an analysis of trade payable to a related party by age, presented based on the invoice date at the end of each reporting period:

	2022	2021
	RMB'000	RMB'000
Within 3 months	**208**	–

37. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, non-interest bearing which represents the trade payable for purchase from an associate.

The credit period on the purchase with the associate is 60 days from the invoice date. The following is an analysis of trade payables to an associate by age, presented based on the invoice date at the end of each reporting period:

	2022	2021
	RMB'000	RMB'000
Within 3 months	**10**	–

38. DEFERRED INCOME

Amounts credited to profit or loss during the year:

	2022 RMB'000	2021 RMB'000
Incentive subsidies (note a)	5,172	4,107
Released from asset-related government subsidies (note b)	5,077	5,876
	10,249	9,983

The movement of deferred income is as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	51,115	55,690
Receipts of subsidies related to development expenditures, property, plant and equipment and right-of-use assets (note b)	180	1,301
Released to profit or loss during the year (note b)	(5,077)	(5,876)
At end of year	46,218	51,115
Analysed for reporting purpose:		
Current liabilities	1,929	1,891
Non-current liabilities	44,289	49,224
	46,218	51,115

Notes:

(a) Incentive subsidies were received from a local government for improvement of working capital and compensation for research and development expenses incurred. There are no unfulfilled conditions or other contingencies attached to the grants. The subsidies were granted on a discretionary basis to the Group during the year ended December 31, 2022.

(b) The Group received government subsidies for the compensation of capital expenditures on the plant and machinery and right-of-use assets which are deferred and released to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

39. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	3,475	33,414
Within a period of more than one year but not exceeding two years	3,599	3,413
Within a period of more than two years but not exceeding five years	10,523	10,148
Within a period of more than five years	36,271	40,146
	53,868	87,121
Less: amount due for settlement with 12 months shown under current liabilities	(3,475)	(33,414)
Amount due for settlement after 12 months shown under non-current liabilities	50,393	53,707

All lease obligations are denominated in the functional currencies of the relevant group entities.

The weighted average incremental borrowing rate applied to lease liabilities was 4.78% (2021: 4.89%).

40. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	2,711	1,845
Deferred tax liabilities	(8,388)	(10,694)
	(5,677)	(8,849)

40. DEFERRED TAX ASSETS/LIABILITIES *(continued)*

The following is the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	ECL provision RMB'000	Fair value adjustment on property, plant and equipment and intangible assets RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At January 1, 2021	—	(8,751)	(2,311)	(11,062)
Credit (charge) to profit or loss	1,845	1,709	(1,341)	2,213
At December 31, 2021	**1,845**	**(7,042)**	**(3,652)**	**(8,849)**
Credit to profit or loss	**866**	**1,709**	**597**	**3,172**
At December 31, 2022	**2,711**	**(5,333)**	**(3,055)**	**(5,677)**

As at December 31, 2022, the Group has unrecognised deferred tax liability in relation to the PRC withholding EIT on undistributed profits in certain of its PRC subsidiaries of RMB647,897,000 (2021: RMB556,341,000), as it is the intention of the directors of the Company to retain the remaining undistributed profits with these subsidiaries for their future business development.

At December 31, 2022, the Group has unused tax losses of RMB86,768,000 (2021: RMB53,181,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB75,185,000 (2021: RMB41,598,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2022 RMB'000	2021 RMB'000
2023	**13,198**	9,231
2024	**15,676**	10,198
2025	**9,938**	6,010
2026	**15,642**	16,159
2027	**20,731**	—
	75,185	41,598

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

40. DEFERRED TAX ASSETS/LIABILITIES *(continued)*

At December 31, 2022, the Group has deductible temporary differences of RMB58,245,000 (2021: RMB44,900,000). A deferred tax asset has been recognised in respect of approximately RMB18,074,000 (2021: RMB12,302,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining approximately RMB40,171,000 (2021: RMB32,598,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

41. SHARE CAPITAL

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	**Share capital** HK$
Authorised:		
At January 1, 2021, December 31, 2021 and December 31, 2022		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2021, December 31, 2021 and December 31, 2022		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At December 31, 2022 and 2021 RMB'000
Presented in the consolidated financial statements	3,285

42. SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") in 2014 to enable the Company to grant options to the eligible person as incentives or rewards for their contribution to the Group. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

42. SHARE OPTION SCHEME *(continued)*

The exercise price is determined by the board of directors of the Company at its absolute discretion and shall not be less than the highest of (i) the closing price of the Company's shares as quoted in the daily quotation sheet of the Stock Exchange on the grant date; (ii) the average closing price of the shares as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of HK$0.01 per share.

No option was granted or outstanding during the years ended December 31, 2022 and December 31, 2021.

43. ACQUISITION OF A SUBSIDIARY

On October 20, 2022, the Group acquired the remaining 55% equity interest in Kaiping Jiarun with the objective of improving the Group's sales and production of soymilk products. Kaiping Jiarun became a wholly-owned subsidiary of the Group then. Details of the acquisition are set out in note 22(b).

Consideration transferred

	RMB'000
Cash	21,000
Interest in the associate before acquisition	13,746
Amounts due from (to) an associate:	
— Loans to the associate	8,243
— Amount due from the associate	3
— Amounts due to the associate	(165)
	42,827

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	1,249
Inventories	6,291
Trade and other receivables	6,652
Loan receivables	24,776
Bank balances and cash	2,012
Trade and other payables	(8,418)
Contract liabilities	(623)
	31,939

The receivables acquired (which principally comprised trade receivables and loan receivables) with a fair value of RMB31,428,000 at the date of acquisition, which is same with the gross contractual amounts.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

43. ACQUISITION OF A SUBSIDIARY *(continued)*

Goodwill arising on acquisition

	RMB'000
Consideration transferred	42,827
Less: recognised amount of net assets acquired	(31,939)
Goodwill arising on acquisition	10,888

Goodwill arose on the acquisition of Kaiping Jiarun because the acquisition included the strategic synergy of strengthening the market coverage of soymilk product in the PRC by the Group. These assets could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible asset.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Kaiping Jiarun

	RMB'000
Cash consideration paid	21,000
Less: cash and cash equivalent balances acquired	(2,012)
	18,988

Impact of acquisition on the results of the Group

Included in the profit for the year is loss of RMB849,000 attributable to the additional business generated by Kaiping Jiarun. Revenue for the year includes RMB3,194,000 generated from Kaiping Jiarun.

Had the acquisition of Kaiping Jiarun been completed on January 1, 2022, revenue for the year of the Group would have been RMB1,684,069,000, and profit for the year would have been RMB47,928,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Kaiping Jiarun been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 34, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of new debt or the redemption of existing debt.

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost	**768,030**	833,170
Financial asset mandatorily measured at FVTPL	**107,131**	104,168
Financial liabilities		
Amortised cost	**821,508**	835,468

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, loan receivables, amounts due from associates, non-controlling shareholders of subsidiaries, a joint venture and a related party, loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate, pledged/restricted bank deposits, bank balances and cash, trade, bills and other payables, bank borrowings, amounts due to a non-controlling shareholder of subsidiary, an associate and related parties and financial asset at FVTPL. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk

Currency risk

Several group entities of the Company have foreign currency bank balances which expose the Group to foreign currency risk. In addition, several group entities have intra-group balances denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
The Group				
US$	**–**	–	**411**	3,575
HK$	**–**	–	**709**	3,141
Inter-group balances				
HK$	**681,811**	674,213	**681,811**	674,213

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the functional currency of the Group against the relevant foreign currencies. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A negative number below indicates an increase in post-tax profit where functional currency strengthen 5% (2021: 5%) against the relevant currency. For a 5% (2021: 5%) weakening of functional currency against the relevant currency, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be positive.

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis *(continued)*

	US$ Impact (i)		HK$ Impact (ii)	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Decrease in profit	**(17)**	(134)	**(30)**	(118)

(i) This is mainly attributable to the exposure on bank balances denominated in US$ at the end of reporting period.

(ii) This is mainly attributable to the exposure on bank balances denominated in HK$ at the end of reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant years.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 34), fixed-rate loan receivables (note 28), fixed-rate loan to a non-controlling shareholder of a subsidiary (note 24b), fixed-rate loans to a joint venture (note 24a) and lease liabilities (note 39). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances (note 31), pledged/restricted bank deposits (note 31) and variable-rate bank borrowings (note 34). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, pledged/restricted bank deposits and variable-rate bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Interest income from financial assets that are measured at amortised cost is as follows:

	2022	2021
	RMB'000	RMB'000
Other income		
Financial assets at amortised cost	**29,860**	26,436

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk *(continued)*

Interest expense on financial liabilities not measured at FVTPL:

	2022 RMB'000	2021 RMB'000
Interest expense		
Financial liabilities at amortised cost	26,753	24,811

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis represents the management's assessment of the reasonably possible change in interest rates.

Variable-rate bank balances and bank borrowings

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the year ended December 31, 2022 would increase/decrease by approximately RMB63,000 (2021: RMB169,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Other price risk

The Group is exposed to equity price risk through its investments in unlisted equity investment fund measured at FVTPL. The management of the Group monitors the price risk and will consider lower the risk exposure by selling its equity interest to other parties.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unlisted equity investment fund with fair value measurement categorised within Level 3 were disclosed in note 45(c).

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivables, other receivables, loan receivables, amounts due from associates, non-controlling shareholders of subsidiaries, a joint venture and a related party, loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate, pledged/restricted bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with certain loan receivables, and loans to a non-controlling shareholder of a subsidiary and a joint venture is mitigated because they are secured over land, retail stores, manufacturing plant, residential building or the equity interest of investments and settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group generally adopts a policy to require advance payment from majority of their customers before the delivery of goods. Before granting credit to customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals and to determine any debt recovery action on those delinquent accounts receivable arising from contracts with customers. The Group also reviews the credit quality and defines credit limits by these customers. Limits attributed to these customers are reviewed once a year and each customer has a maximum credit limit. The Group maintains a defined credit policy to assess the credit quality of these customers and seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The trade receivables balance at the end of each reporting period represented credit sales to certain customers. With respective to these credit sales, the Group has concentration of credit risk as 22% (2021: 38%) of the Group's total trade receivables as at December 31, 2022, were due from five customers. Those five customers are with good creditworthiness based on historical settlement record.

In addition, the Group performs impairment assessment under ECL model on trade receivables balance by using provision matrix. Trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers. Impairment of RMB3,765,000 was recognised (2021: RMB2,948,000 was reversed) during the year ended December 31, 2022. Details of the quantitative disclosures are set out below in this note.

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate

Before accepting any new borrower, the Group conducted credit check to assess the borrowers' credit quality and periodically review borrowers' financial information in order to mitigate the credit risk of loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate. The Group performs impairment assessment under ECL model on loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate individually. For the unsecured loan receivables, the directors of the Company estimate the estimated loss rates based on historical credit loss experience of the debtors in view of their financial position and the market data. For the remaining loan receivables and the loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate with collaterals, the directors of the Company will estimate the estimated loss rate based on historical credit loss experience of the debtors as well as the fair value of the collaterals pledged by the borrowers. Based on assessment by the directors of the Company, the borrowers has certain risk of default in view of the realised amount of the collaterals and estimated financial position of borrowers on their ability to repay the loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate upon the due date. Impairment of RMB7,110,000 (2021: RMB22,253,000) on loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate was recognised during the year ended December 31, 2022. Details of the quantitative disclosures are set out below in this note.

Pledged/restricted bank deposits, bank balances and bills receivables

Credit risk on pledged/restricted bank deposits, bank balances and bills receivables is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances and bills receivables by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates from reputable credit agencies, the 12m ECL on pledged/restricted bank deposits, bank balances and bills receivables is considered to be insignificant.

Other receivables

The management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. During the year ended December 31, 2022, the Group provided an impairment loss on other receivables of RMB4,332,000 (2021: RMB2,650,000). Details of the quantitative disclosures are set out below in this note.

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Amounts due from non-controlling shareholders of a subsidiaries

The management of the Group makes periodic individual assessment on the recoverability of the amounts due from non-controlling shareholders of subsidiaries based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. During the year ended December 31, 2022, the Group provided an impairment loss on amounts due from non-controlling shareholders of subsidiaries of RMB5,037,000 (2021: RMB10,823,000). Details of the quantitative disclosures are set out below in this note.

Amounts due from a joint venture

The management of the Group makes periodic individual assessment on the recoverability of the amounts due from a joint venture based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. During the year ended December 31, 2022, the Group provided an impairment loss on amounts due from a joint venture of RMB1,123,000 (2021: RMB2,556,000). Details of the quantitative disclosures are set out below in this note.

Amounts due from associates and a related party

The credit risks on amounts due from associates and a related party are insignificant as the management of the Group periodically monitors the balances to ensure that the counterparties are viable to settle the debts.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	The counterparty has a medium risk of default through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount RMB'000	2021 Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	26	Low risk (note 2)	Lifetime ECL (provision matrix)	9,433	10,517
		Watch list (note 2)	Lifetime ECL (provision matrix)	16,859	2,310
		Loss (note 2)	Lifetime ECL (credit-impaired)	5,291	3,157
Bills receivables	26	Low risk (note 1)	12m ECL	6,208	8,471
Other receivables	26	Low risk (note 3)	12m ECL	10,490	25,377
		Watch list (note 3)	Lifetime ECL (not credit-impaired)	4,483	–
		Loss (note 3)	Lifetime ECL (credit-impaired)	8,362	4,200
Loan receivables	28	Watch list (note 4)	12m ECL	36,300	92,300
		Doubtful (note 4)	Lifetime ECL (not credit-impaired)	116,776	31,512
		Loss (note 4)	Lifetime ECL (credit-impaired)	32,540	31,512
Amounts due from associates	29	Low risk (note 1)	12m ECL	10,569	7,293
Amounts due from non-controlling shareholders of subsidiaries	30a	Low risk (note 1)	12m ECL	–	30
		Doubtful (note 7)	Lifetime ECL (not credit-impaired)	–	22,324
		Loss (note 7)	Lifetime ECL (credit-impaired)	15,860	–
Amount due from a related party	30c	Low risk (note 1)	12m ECL	16	8
Amount due from a joint venture	30b	Watch list (note 8)	Lifetime ECL (not credit-impaired)	60,000	60,000
Loans to a joint venture	24a	Watch list (note 9)	Lifetime ECL (not credit-impaired)	164,589	172,675
Loan to a non-controlling shareholder of a subsidiary	24b	Doubtful (note 5)	Lifetime ECL (not credit-impaired)	–	18,000
		Loss (note 5)	Lifetime ECL (credit-impaired)	18,000	–
Loans to an associate	24c	Doubtful (note 6)	Lifetime ECL (not credit-impaired)	–	16,000
Pledged/restricted bank deposits	31	Low risk	12m ECL	99	21,044
Bank balances	31	Low risk	12m ECL	310,042	383,704
				825,917	878,922

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes:

(1) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2022 Not past due/no fixed repayment terms RMB'000	2021 Not past due/no fixed repayment terms RMB'000
Bills receivables	6,208	8,471
Amounts due from associates	10,569	7,293
Amount due from a non-controlling shareholder of a subsidiary	–	30
Amount due from a related party	16	8

(2) The Group applies the simplified approach to provide for ECL prescribed by IFRS 9 for trade receivables, which permits the use of the lifetime ECL provision for these trade receivables. Except for trade receivables that are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix for customers by internal credit rating. As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. Trade receivables that are credit-impaired with an aggregate gross carrying amount of RMB5,291,000 (2021: RMB3,157,000) as at December 31, 2022 are assessed individually. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of RMB5,291,000 (2021: RMB3,157,000) was provided by the Group as at December 31, 2022. The following table provides information about the exposure to credit risk for the remaining trade receivables which are assessed based on provision matrix as at December 31, 2022 and 2021 within lifetime ECL (not credit-impaired).

Gross carrying amount

	2022		2021	
Internal credit rating	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Low risk	0.02%	9,433	0.02%	10,517
Watch list	1.00%	16,859	1.00%	2,310
		26,292		12,827

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(2) *(continued)*

As at December 31, 2022, the Group provided approximately RMB170,000 (2021: RMB25,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB5,291,000 (2021: RMB3,157,000) was made on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables:

	Lifetime ECL-simplified approach (not credit-impaired) RMB'000	Lifetime ECL-individual assessment (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2021	29	7,243	7,272
Changes due to financial instruments recognised as at January 1, 2021:			
— Transfer to credit-impaired	(3)	3	—
— Impairment losses recognised	—	298	298
— Impairment losses reversed	(26)	(3,637)	(3,663)
— Write-offs	—	(1,142)	(1,142)
New financial assets originated	25	392	417
As at December 31, 2021	**25**	**3,157**	**3,182**
Changes due to financial instruments recognised as at January 1, 2022:			
— Transfer to credit-impaired	**(3)**	**3**	**—**
— Impairment losses recognised	**—**	**900**	**900**
— Impairment losses reversed	**(22)**	**(121)**	**(143)**
— Write-offs	**—**	**(1,486)**	**(1,486)**
New financial assets originated	**170**	**2,838**	**3,008**
As at December 31, 2022	**170**	**5,291**	**5,461**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(2) *(continued)*

Changes in the loss allowance for trade receivables are mainly due to:

	2022		2021	
	(Decrease)/increase in lifetime ECL		(Decrease)/increase in lifetime ECL	
	Not credit-impaired RMB'000	**Credit impaired RMB'000**	Not credit-impaired RMB'000	Credit impaired RMB'000
One trade debtor with a gross carrying amount of RMB903,000 (2021: RMB301,000) defaulted and transferred to credit-impaired	**(3)**	**3**	(3)	3
Existing trade receivables with gross carrying amount of RMB903,000 (2021: RMB301,000)	**–**	**900**	–	298
Settlement in full of trade receivables gross carrying amount of RMB12,243,000 (2021: RMB15,491,000)	**(22)**	**(121)**	(26)	(3,637)
New trade receivables with gross carrying amount of RMB29,130,000 (2021: RMB13,219,000)	**170**	**2,838**	25	392

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

(3) The Group assessed the loss allowance for other receivables on 12m ECL for internal credit rating of low risk and lifetime ECL basis for internal credit rating of watch list (not credit-impaired) and loss (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position of the debtors, its settlement status and other contractual conditions to ensure they are financially viable to settle the other receivables. The Group has applied nil to 100% (2021: nil to 100%) of credit loss rate as at the December 31, 2022 and concluded that adequate impairment loss is made for irrecoverable amount. No impairment loss has been provided for the remaining other receivables with internal credit rating of low risk for the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(3) *(continued)*

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2021	—	1,550	—	1,550
Changes due to financial instruments recognised as at January 1, 2021:				
— Transfer to credit-impaired	—	(1,550)	1,550	—
— Impairment losses recognised	—	—	2,650	2,650
As at December 31, 2021	—	—	4,200	4,200
Changes due to financial instruments recognised as at January 1, 2022:				
— Impairment losses recognised	—	—	4,162	4,162
New financial assets originated	—	170	—	170
As at December 31, 2022	—	170	8,362	8,532

Changes in the loss allowance for other receivables are mainly due to:

		2022 Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Decrease in credit rating of other receivables	—	—	4,162
New other receivables	—	170	—

		2021 Increase (decrease) in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Decrease in credit rating of other receivables	—	(1,550)	4,200

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(4) The Group assessed the loss allowance for loan receivables on 12m ECL for loan receivables without significant increase in credit risk (watch list in internal credit rating) and on lifetime ECL for internal credit rating of doubtful (not credit-impaired) and loss (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on each of the debtors individually, its settlement status and other contractual conditions to ensure it is financially viable to settle the loan receivables. The Group has applied 2.18% to 100% (2021: 7.31% to 100%) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table shows reconciliation of loss allowances that has been recognised for loan receivables:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2021	162	587	2,000	2,749
Changes due to financial instruments recognised as at January 1, 2021:				
— Impairment losses reversed	(162)	(587)	—	(749)
New financial assets originated	7,307	—	—	7,307
As at December 31, 2021	**7,307**	**—**	**2,000**	**9,307**
Changes due to financial instruments recognised as at January 1, 2022:				
— Transfer to lifetime ECL	**(2,347)**	**2,347**	**—**	**—**
— Impairment losses reversed	**(2,829)**	**—**	**—**	**(2,829)**
New financial assets originated	**124**	**2,693**	**1,028**	**3,845**
As at December 31, 2022	**2,255**	**5,040**	**3,028**	**10,323**

Changes in the loss allowance for loan receivables are mainly due to:

	2022		
		Increase (decrease) in lifetime ECL	
	12m ECL **RMB'000**	**Not credit-impaired** **RMB'000**	**Credit-impaired** **RMB'000**
Decrease in credit loss rate	**(2,390)**	**—**	**—**
Settlement in loan receivables	**(439)**	**—**	**—**
Decrease in credit rating of loan receivables	**(2,347)**	**2,347**	**—**
New loan receivables	**124**	**2,693**	**1,028**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(4) *(continued)*

		2021	
		Increase (decrease) in lifetime ECL	
	12m ECL	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000
Settlement in full of loan receivables	(162)	(587)	—
New loan receivables	7,307	—	—

(5) The Group assessed the loss allowance for loan to a non-controlling shareholder of a subsidiary on lifetime ECL for internal credit rating of doubtful (not credit-impaired) and loss (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the loan to a non-controlling shareholder of a subsidiary. The Group has applied 100.00% (2021: 48.48%) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table shows reconciliation of loss allowances that has been recognised for loan to a non-controlling shareholder of a subsidiary:

	Lifetime ECL (not credit-Impaired)	**Lifetime ECL (credit-impaired)**
	RMB'000	RMB'000
As at January 1, 2021	—	—
Changes due to financial instruments recognised as at January 1, 2021:		
— Impairment loss recognised	7,286	—
As at December 31, 2021	**7,286**	**—**
Changes due to financial instruments recognised as at January 1, 2022:		
— Transfer to credit-impaired	**(7,286)**	**7,286**
— Impairment loss recognised	**—**	**1,106**
As at December 31, 2022	**—**	**8,392**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(5) *(continued)*

Changes in the loss allowance for loan to a non-controlling shareholder of a subsidiary are mainly due to:

		2022	
		Increase (decrease) in lifetime ECL	
	12m ECL	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000
Decrease in credit rating of loan to a non-controlling shareholder of a subsidiary	—	(7,286)	8,392

		2021	
		Increase in lifetime ECL	
	12m ECL	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000
Decrease in credit rating of loan to a non-controlling shareholder of a subsidiary	—	7,286	—

(6) The Group assessed the loss allowance for loans to an associate on lifetime ECL for internal credit rating of doubtful (not credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the loans to an associate. The Group has applied 48.48% of credit loss rate in 2021 and concluded that adequate impairment loss was made for irrecoverable amount.

The following table shows reconciliation of loss allowances that has been recognised for loans to an associate:

	12m ECL	Lifetime ECL (not credit-impaired)
	RMB'000	RMB'000
As at January 1, 2021	—	—
New financial assets originated	—	7,757
As at December 31, 2021	—	7,757
Changes due to financial instruments recognised as at January 1, 2022:		
— Effective settlement	—	(7,757)
As at December 31, 2022	—	—

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(6) *(continued)*

Changes in the loss allowance for loans to an associate are mainly due to:

		2022 Decrease in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Effective settlement in the acquisition of the associate	—	(7,757)	—

		2021 Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
New loans to an associate	—	7,757	—

(7) The Group assessed the loss allowance for amounts due from a non-controlling shareholder of a subsidiary on lifetime ECL for internal credit rating of doubtful (not credit-impaired) and loss (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the amounts due from a non-controlling shareholder of a subsidiary. The Group has applied 100.00% (2021: 48.48%) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table shows reconciliation of loss allowances that has been recognised for amounts due from a non-controlling shareholder of a subsidiary:

	Lifetime ECL (not credit-Impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000
As at January 1, 2021	—	—
New financial assets originated	10,823	—
As at December 31, 2021	10,823	—
Changes due to financial instruments recognised as at January 1, 2022:		
— Transfer to credit-impaired	(7,329)	7,329
— Impairment loss recognised	—	7,264
— Impairment loss reversed	(3,494)	—
New financial assets originated	—	1,267
As at December 31, 2022	—	15,860

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(7) *(continued)*

Changes in the loss allowance for amounts due from a non-controlling shareholder of a subsidiary are mainly due to:

		2022	
		Increase (decrease) in lifetime ECL	
	12m ECL	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000
Decrease in credit rating of amounts due from a non-controlling shareholder of a subsidiary	–	(7,329)	14,593
Settlement in amount due from a non-controlling shareholder of a subsidiary	–	(3,494)	–
New amounts due from a non-controlling shareholder of a subsidiary	–	–	1,267

		2021	
		Increase in lifetime ECL	
	12m ECL	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000
New amounts due from a non-controlling shareholder of a subsidiary	–	10,823	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(8) The Group assessed the loss allowance for amount due from a joint venture on lifetime ECL for internal credit rating of watch list (not credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the amount due from a joint venture. The Group has applied 6.13% (2021: 4.26%) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table shows reconciliation of loss allowances that has been recognised for amount due from a joint venture:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000
As at January 1, 2021	—	—
New financial assets originated	2,556	—
As at December 31, 2021	2,556	—
Changes due to financial instruments recognised as at January 1, 2022:		
— Impairment loss recognised	1,123	—
As at December 31, 2022	3,679	—

Changes in the loss allowance for amount due from a joint venture are mainly due to:

	2022		
		Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Increase in credit loss rate	1,123	—	—

	2021		
		Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
New amount due from a joint venture	2,556	—	—

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(9) The Group assessed the loss allowance for loans to a joint venture on lifetime ECL for internal credit rating of watch list (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the loans to a joint venture. The Group has applied 6.13% (2021:4.26%) of credit loss rate and concluded that adequate impairment loss was made for irrecoverable amount.

The following table shows reconciliation of loss allowances that has been recognised for loans to a joint venture:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000
As at January 1, 2021	–	–
New financial assets originated	652	–
As at December 31, 2021	**652**	**–**
Changes due to financial instruments recognised as at January 1, 2022:		
— Impairment losses reversed	**(652)**	**–**
— Impairment loss recognised	**5,640**	**–**
As at December 31, 2022	**5,640**	**–**

Changes in the loss allowance for loans to a joint venture are mainly due to:

		2022 Decrease in lifetime ECL	
	12m ECL RMB'000	**Not credit-impaired RMB'000**	**Credit-impaired RMB'000**
Settlement in loan to a joint venture	**(652)**	**–**	**–**
Increase in credit loss rate	**5,640**	**–**	**–**

		2021 Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
New loans to a joint venture	652	–	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at December 31, 2022, the Group has available unutilised bank facilities of RMB144,920,000 (2021: RMB32,900,000).

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on management's best estimates at the end of the reporting period, taking into consideration interest rate curve, if available.

Liquidity tables

	Weighted average interest rate	Repayable on demand or within 3 months	3–6 months	6 months to 1 year	1 to 5 years	over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2022								
Trade, bills and other payables	–	223,558	–	–	–	–	223,558	223,558
Amounts due to related parties	–	226	–	–	–	–	226	226
Amount due to an associate	–	10	–	–	–	–	10	10
Bank borrowings	3.81	433,416	7,008	78,901	72,831	25,648	617,804	597,714
Lease liabilities	4.78	1,487	1,502	2,988	22,499	48,812	77,288	53,868
		658,697	8,510	81,889	95,330	74,460	918,886	875,376
At December 31, 2021								
Trade, bills and other payables	–	293,177	21,030	–	–	–	314,207	314,207
Amounts due to a non-controlling shareholder of a subsidiary	–	1,123	–	–	–	–	1,123	1,123
Bank borrowings	3.75	244,236	19,910	151,279	124,504	–	539,929	520,138
Lease liabilities	4.89	1,363	1,563	38,082	22,590	46,945	110,543	87,121
		539,899	42,503	189,361	147,094	46,945	965,802	922,589

45. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group considers to engage third party qualified valuer to perform the valuation. The Group's chief financial officer works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model and reports the findings to the directors of the Company to explain the cause of fluctuations in the fair value.

(i) Fair value of the Group's financial asset that are measured at fair value on a recurring basis

The Group has a financial asset that is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at December 31, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
Financial asset at FVTPL – unlisted equity investment fund in the PRC	RMB107,131,000	RMB104,168,000	Level 3	Asset based approach. The net asset value is identified by subtracting the total liabilities of these investments from total assets.	The higher the net asset value, the higher the fair value. (note)

Note: An increase in the net assets of the unlisted equity investment fund would result in an increase in the fair value measurement of the unlisted equity investment fund, and vice versa. As a result of the volatility financial market in 2022, the management adjusted the sensitivity rate to 3% of the underlying assets value for the purpose of performing the sensitivity analysis. A 3% (2021: 3%) increase in the underlying assets value, holding all other variables constant, would increase the fair value of the unlisted equity investment fund by approximately RMB3,214,000 (2021: RMB3,125,000).

There were no transfers amongst Level 1, 2 and 3 during both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

45. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial asset that are measured at fair value on a recurring basis *(continued)*

Reconciliation of Level 3 fair value measurements

	Financial asset at FVTPL — unlisted equity investment fund RMB'000
As at January 1, 2021	100,691
Fair value change recognised in profit or loss	3,477
As at December 31, 2021	104,168
Fair value change recognised in profit or loss	2,963
As at December 31, 2022	107,131

The fair value gains or losses on the financial asset at FVTPL are included in "other gains and losses" (note 8).

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements using discounted cash flow valuation technique approximate their fair values.

46. DEREGISTRATION OF SUBSIDIARIES

For the year ended December 31, 2021

In October 2021, the Group had deregistered both 吉林嘉士利食品有限公司 (Jilin Jiashili Food Co. Limited*) and 長春市利嘉置業有限公司 (Changchun Lijia Limited Property Co. Limited*) with no gain or loss recognised.

* English name for identification purpose only

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	77,237	77,237
Amounts due from subsidiaries	125,510	137,447
	202,747	214,684
CURRENT ASSET		
Bank balances	24	34
CURRENT LIABILITY		
Accruals and other payables	3,695	362
NET CURRENT LIABILITY	(3,671)	(328)
NET ASSETS	199,076	214,356
CAPITAL AND RESERVES		
Share capital	3,285	3,285
Reserves	195,791	211,071
TOTAL EQUITY	199,076	214,356

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Movement in the Company's share capital and reserves

	Share capital RMB'000	Share premium RMB'000	Accumulated profits RMB'000	Total RMB'000
At January 1, 2021	3,285	249,147	22,218	274,650
Loss and total comprehensive expense for the year	—	—	(8,595)	(8,595)
Dividends recognised as distribution (note 15)	—	(51,699)	—	(51,699)
At December 31, 2021	**3,285**	**197,448**	**13,623**	**214,356**
Profit and total comprehensive income for the year	**—**	**—**	**2,538**	**2,538**
Dividends recognised as distribution (note 15)	**—**	**(17,818)**	**—**	**(17,818)**
At December 31, 2022	**3,285**	**179,630**	**16,161**	**199,076**

48. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 1 to 14 years, respectively.

Undiscounted lease payments receivable on leases are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**2,391**	1,291
In the second year	**2,353**	1,077
In the third year	**2,386**	1,006
In the fourth year	**3,091**	1,006
In the fifth year	**3,125**	1,676
Over five years	**14,136**	15,088
	27,482	21,144

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

49. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**29,132**	40,430
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the consolidated financial statements (note a)	**–**	1,600
Capital expenditure in respect of the capital injections to the unlisted equity investment fund but not provided in the consolidated financial statements (note b)	**34,500**	34,500
Capital expenditure in respect of the acquisition of a subsidiary but not provided in the consolidated financial statements (note c)	**42,000**	135,000

Notes:

(a) As at December 31, 2021, pursuant to the Articles of Association of Kaiping Jiarun, Kaiping Jiarun has a total registered capital of RMB68 million, of which RMB30.6 million shall be contributed by the Group and the remaining RMB37.4 million shall be contributed by the other shareholder. The paid-in capital of Kaiping Jiarun is RMB50 million, of which RMB29 million has been contributed by the Group, with the remaining RMB21 million has been contributed by the other shareholder.

As at December 31, 2022, Kaiping Jiarun has been a wholly-owned subsidiary of the Group after acquisition of its remaining interest during the year as detailed in note 22.

(b) On December 20, 2019, the Group entered into a capital increase agreement on Jia Hui LLP with three independent third parties. Pursuant to the capital increase agreement, the registered capital of the Jia Hui LLP shall further increase by RMB50 million to RMB200 million (the "Capital Increase"). Pursuant to the capital increase agreement, the Group shall make further capital contribution of RMB34.5 million. Upon the completion of the Capital Increase, the total capital contribution to the unlisted equity invest fund by the Group would be RMB138 million, representing 69% of the enlarged registered capital of Jia Hui LLP, which remains unchanged from that prior to the Capital Increase. As at December 31, 2022, the Group has yet to pay the further capital contribution to the Jia Hui LLP. Details of the investment in Jia Hui LLP are set out in note 25.

(c) On May 10, 2021, the Group entered into an equity transfer agreement for acquisition of 100% equity interest in Guangdong Kangli Food Co. Limited* 廣東康力食品有限公司 ("Kangli") with Koni (Hong Kong) Food Investment Limited ("Koni"), an entity controlled by Mr. Huang Xianming, the ultimate controlling shareholder of the Group, for a total consideration of RMB135 million. On September 23, 2022, another supplemental agreement was made to further extend the long stop date of the acquisition to December 31, 2013 (or any later date as agreed by the Group and Koni). During the year, the Group paid RMB93,000,000 as deposits for the acquisition to Kaiyuan Investments Limited ("Kaiyuan"), the holding company of Koni pursuant to terms and condition of the equity transfer agreement. The acquisition of Kangli is not yet completed as of the date of this report.

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

50. RELATED PARTY DISCLOSURES

Related Party Transactions

	Relationship	2022 RMB'000	2021 RMB'000
Sale of goods			
Guangdong Ruishiyue (note a)	Associate	**1,917**	1,848
Guangdong Jinpingguo Co. Limited* 廣東金蘋果有限公司 ("Jinpingguo") (note a)	Non-controlling shareholder of a subsidiary	**489**	32,106
Fengjia (note a)	Joint venture	**12**	5
Kaiping Jiarun (note a)	Associate (note b)	**39**	2
Zhongchen (note a and c)	Related party	**14**	5
		2,471	33,966
Purchase of goods			
Guangdong Ruishiyue (note a)	Associate	**28,540**	33,563
Fengjia (note a)	Joint venture	**75,816**	37,140
Jinpingguo (note a)	Non-controlling shareholder of a subsidiary	**—**	10,787
Kangli (note a and d)	Related party	**1,066**	—
Kaiping Jiarun	Associate	**1,290**	—
Tianjianjun	Associate	**154**	—
		106,866	81,490
Interest income			
Fengjia (note e)	Joint venture	**7,447**	8,340
Jinpingguo (note e)	Non-controlling shareholder of a subsidiary	**674**	1,354
		8,121	9,694
Lease contract on motor vehicle			
Zhongchen (note f)			
— Payment of lease liabilities	Related party	**—**	149
Deposit paid			
Kaiyuan (note d)			
— Deposit paid for acquisition of a subsidiary (note 49)	Related party	**93,000**	—

* English name for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

50. RELATED PARTY DISCLOSURES *(continued)*

Related Party Transactions *(continued)*

Notes:

(a) The amount represents the sales and purchases of biscuits, mooncakes, flour, pasta, soymilk, rice and confectioneries. The transactions were entered into in the normal course of business of the Group at terms mutually agreed between the parties.

(b) Kaiping Jiarun has become a subsidiary of the Group since October 20, 2022. Details of the acquisition are set out in notes 22 and 43.

(c) Zhongchen was the former immediate holding company of Guangdong Jiashili. It is currently owned by Mr. Huang Xianming, the ultimate controlling shareholder of the Group.

(d) Kangli and Kaiyuan are currently controlled by Mr. Huang Xianming, the ultimate controlling shareholder of the Group.

(e) The amount represents the interest income on loans to a joint venture and loan to a non-controlling shareholder of a subsidiary.

(f) The amount represents the lease payment for a motor vehicle with a lease term of 14 months starting from March 2020.

The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

Related party balances

Details of balances with the Group's related parties are set out in notes 24, 29, 30, 35, 36 and 37, respectively.

Compensation of key management personnel

The remuneration of key management personnel including the directors' remuneration during the year were as follows:

	2022 RMB'000	2021 RMB'000
Short-term benefits	**5,556**	5,270
Post-employment benefits	**39**	32
	5,595	5,302

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

51. RETIREMENT BENEFIT PLAN

The employees of the Group are members of the state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The employee employed in Hong Kong is required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance of Hong Kong.

The total expense recognised in profit or loss of RMB22,719,000 (2021: RMB22,032,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2022.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

Details of subsidiaries directly and indirectly hold by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of establishment/ incorporations	Registered capital/issued share or paid-up capital	Equity interest attributable to the Company at December 31, 2022	2021	Principal activities
Direct					
Jiashili Limited 嘉士利有限公司	British Virgin Islands	Ordinary shares of US$50,000 and paid-up capital of US$1	100%	100%	Investment holding
Indirect					
Guangdong Jiashili	The PRC	Registered capital of RMB220,000,000 and paid-up capital of RMB220,000,000	100%	100%	Investment holding and manufacturing and sale of confectioneries
Jiangsu Jiashili Food Co. Limited* 江蘇嘉士利食品有限公司	The PRC	Registered capital of RMB50,000,000 and paid-up capital of RMB50,000,000	100%	100%	Leasing of factory building
Henan Jiashili Food Co. Limited* 河南嘉士利食品有限公司	The PRC	Registered capital of RMB50,000,000 and paid-up capital of RMB50,000,000	100%	100%	Manufacture and sale of biscuits

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(a) General information of subsidiaries *(continued)*

Name of subsidiary	Place of establishment/ incorporations	Registered capital/issued share or paid-up capital	Equity interest attributable to the Company at December 31, 2022	2021	Principal activities
Jiashili (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$10,000 and paid-up capital of HK$1	100%	100%	Investment holding
Kaiping Lijia Industrial Investment Company Limited* 開平市利嘉實業投資有限公司	The PRC	Registered capital of RMB30,000,000 and paid-up capital of RMB30,000,000	100%	100%	Investment holding and lending
Tangyin Lijia Property Co. Limited* 湯陰縣利嘉置業有限公司	The PRC	Registered capital of RMB8,000,000 and paid-up capital of nil	100%	100%	Investment holding
Silang	The PRC	Registered capital of US$14,000,000 and paid-up capital of US$11,619,700	85%	85%	Manufacture and sale of biscuits
Kamtai	The PRC	Registered capital of HK$108,130,000 and paid-up capital of HK$30,000,000	85%	85%	Sale of biscuits
Hunan Jiashili Food Co. Limited* 湖南嘉士利食品有限公司	The PRC	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	100%	100%	Manufacture and sale of biscuits
Guangzhou Jialixuan Food Co. Limited* 廣州嘉利軒食品有限公司	The PRC	Registered capital of RMB30,000,000 and paid-up capital of RMB30,000,000	100%	100%	Manufacture and sale of fresh breads
Guangdong Jiajin Food Co. Limited* 廣東嘉金食品有限公司 ("Jiajin")	The PRC	Registered capital of RMB19,607,800 and paid-up capital of RMB19,607,800	51%	51%	Manufacture and sale of mooncakes
Guangzhou Jiakun Brand Marketing Co. Limited* 廣州嘉坤品牌營銷有限公司	The PRC	Registered capital of RMB10,000,000 and paid-up capital of nil	100%	100%	Marketing business

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(a) General information of subsidiaries *(continued)*

Name of subsidiary	Place of establishment/ incorporations	Registered capital/issued share or paid-up capital	Equity interest attributable to the Company at December 31, 2022	2021	Principal activities
Kaiping Jiarun (acquired in 2022)	The PRC	Registered capital of RMB68,000,000 and paid-up capital of RMB50,000,000	100%	45%	Investment holding
Quancheng (acquired in 2022)	The PRC	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	100%	45%	Manufacture and sale of soymilk
Guangdong Jiajian Agricultural Technology Co. Limited* 廣東嘉健農業科技有限公司 ("Jiajian") (established in 2022)	The PRC	Registered capital of RMB20,000,000 and paid-up capital of nil	65%	–	Trading of rice

* English name for identification purpose only

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting right held by non-controlling interests 2022	2021	(Loss) profit allocated to non-controlling interests 2022 RMB'000	2021 RMB'000	Accumulated non-controlling interests 2022 RMB'000	2021 RMB'000
Silang	The PRC	15%	15%	(924)	773	14,420	15,899
Kamtai	The PRC	15%	15%	(506)	(634)	11,272	11,778
Jiajin	The PRC	49%	49%	(422)	(7,262)	2,548	2,970
Jiajian	The PRC	35%	–	(118)	–	2,882	–
				(1,970)	(7,123)	31,122	30,647

Summarised financial information in respect of the Group's material non-wholly owned subsidiary is set out below. The summarised financial information below represents amounts before intragroup eliminations.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Silang

	2022 RMB'000	2021 RMB'000
Current assets	**15,504**	20,302
Non-current assets	**126,244**	138,259
Current liabilities	**15,273**	25,761
Non-current liabilities	**38,940**	39,889
Equity attributable to owners of the Company	**73,115**	77,012
Non-controlling interests of Silang	**14,420**	15,899
Revenue and other income	**108,770**	152,921
Expense	**(113,591)**	(146,427)
Total comprehensive (expense) income for the year	**(4,821)**	6,494
Total comprehensive (expense) income for the year attributable to:		
Owners of Silang	**(4,098)**	5,520
Non-controlling interests of Silang	**(723)**	974
	(4,821)	6,494
Dividends paid to non-controlling interests of Silang	**555**	1,475
Net cash (outflow) inflow from operating activities	**(1,887)**	12,059
Net cash inflow (outflow) from investing activities	**3,627**	(478)
Net cash outflow from financing activities	**(555)**	(9,834)
Net cash inflow	**1,185**	1,747

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000 (note 34)	Lease liabilities RMB'000 (note 39)	Dividends payable RMB'000 (note 15)	Total RMB'000
At January 1, 2021	309,000	6,453	–	315,453
Financing cash flows	186,327	(7,773)	(53,174)	125,380
New leases entered	—	82,280	—	82,280
Finance costs	24,811	6,161	—	30,972
Dividends	—	—	53,174	53,174
At December 31, 2021	**520,138**	**87,121**	**—**	**607,259**
Financing cash flows	**50,823**	**(37,577)**	**(18,373)**	**(5,127)**
New leases entered	**—**	**191**	**—**	**191**
Finance costs	**26,753**	**4,133**	**—**	**30,886**
Dividends	**—**	**—**	**18,373**	**18,373**
At December 31, 2022	**597,714**	**53,868**	**—**	**651,582**

54. EVENT AFTER THE REPORT PERIOD

On January 18, 2023, the Group entered into an agreement with an independent third party pursuant to which the Group has agreed to acquire a property situated at Kaiping, Guangdong Province, the PRC for a cash consideration of RMB100,000,000. Details are set out in the Company's announcement dated January 18, 2023. The acquisition is not yet completed as of the date of this report.