



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
2023

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Xianming
(Chairman and Chief Executive Officer)
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Songhuan
Mr. Li Fuliang (appointed on July 1, 2023)
Mr. Lu Jianxiong (appointed on July 1, 2023)
Mr. Huang Zekun (appointed on July 1, 2023)
Ms. Huang Rujiao (appointed on October 1, 2023)
Dr. Zhao Gang (appointed on October 30, 2023)

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay (resigned on June 30, 2023)
Mr. Ma Xiaoqiang
Mr. Wan Ngar Yin, David (appointed on July 1, 2023)
Mr. Zhang Ziwen (appointed on October 1, 2023)

COMPANY SECRETARY

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

AUDIT COMMITTEE

Mr. Kam Robert *(Chairman)*
Ms. Ho Mankay (resigned on June 30, 2023)
Mr. Ma Xiaoqiang
Mr. Wan Ngar Yin, David (appointed on July 1, 2023)
Mr. Zhang Ziwen (appointed on October 1, 2023)

REMUNERATION COMMITTEE

Ms. Ho Man Kay (resigned on June 30, 2023)
Mr. Wan Ngar Yin, David *(Chairman)*
(appointed on July 1, 2023)
Mr. Huang Xianming
Mr. Kam Robert
Mr. Ma Xiaoqiang
Mr. Zhang Ziwen (appointed on October 1, 2023)

NOMINATION COMMITTEE

Mr. Huang Xianming *(Chairman)*
Mr. Kam Robert
Ms. Ho Man Kay (resigned on June 30, 2023)
Mr. Ma Xiaoqiang
Mr. Wan Ngar Yin, David (appointed on July 1, 2023)
Mr. Zhang Ziwen (appointed on October 1, 2023)

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Shoom Chin Wan

AUDITOR

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

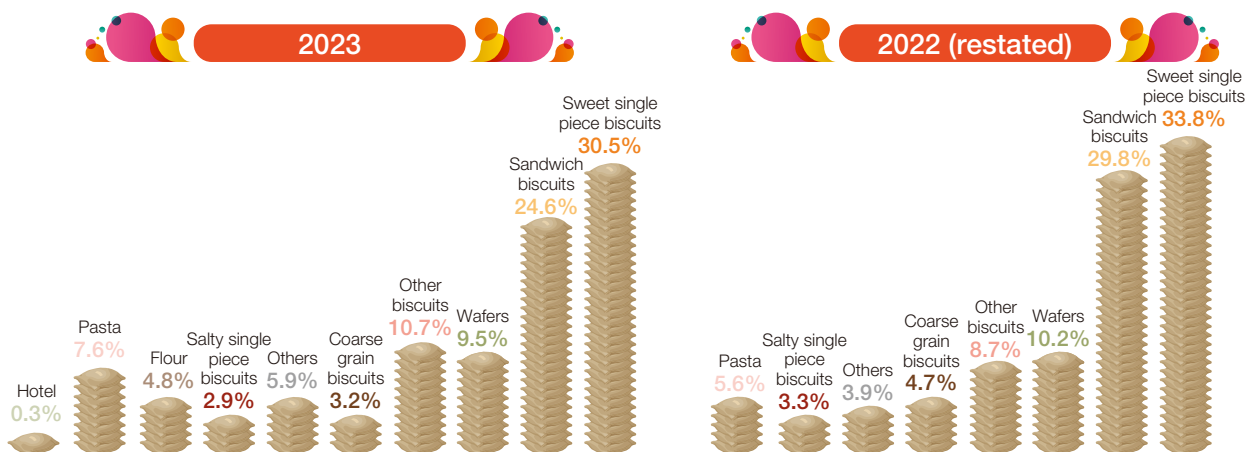
LISTING DATE

September 25, 2014



FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN BY MAJOR PRODUCT SEGMENTS



Year ended December 31,

	2023 (RMB'000)	2022 (RMB'000) (restated)	Increase/ Decrease
Revenue	1,686,182	1,763,996	↓ 4.4%
Gross profit	502,883	462,043	↑ 8.8%
Gross profit margin	29.8%	26.2%	↑ 3.6 percentage points
Profit for the year	61,130	62,224	↓ 1.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	209,072	187,502	↑ 11.5%
Operating profit (EBIT) ²	119,318	108,484	↑ 10.0%
Earnings per share — Basic and diluted (RMB cents)	15.40	15.57	↓ 1.1%
Net profit margin	3.6%	3.5%	↑ 0.1%
Proposed final dividend per share (HKD)	0.1	0.05	↑ 100%

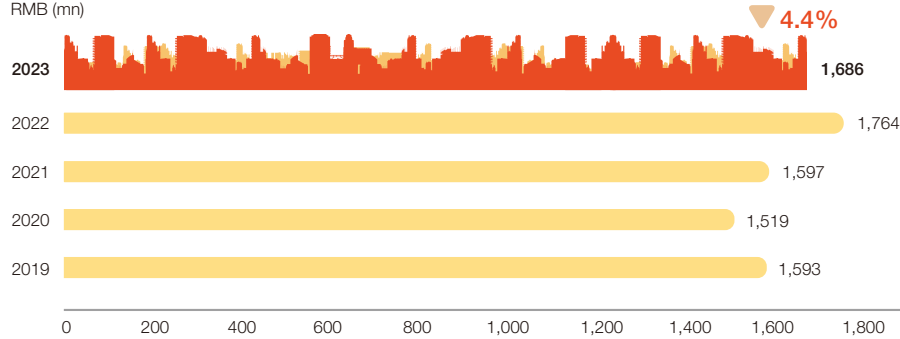
Notes:

- include profit before tax but excluding finance costs and total depreciation and amortisation
- include profit before tax but excluding finance costs

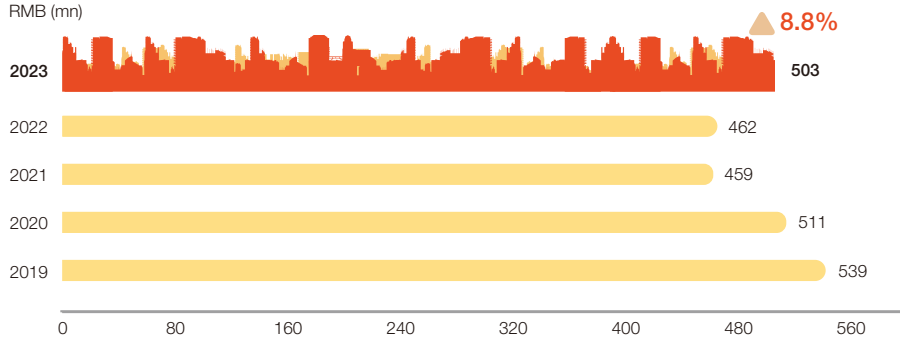
FINANCIAL HIGHLIGHTS

REVENUE

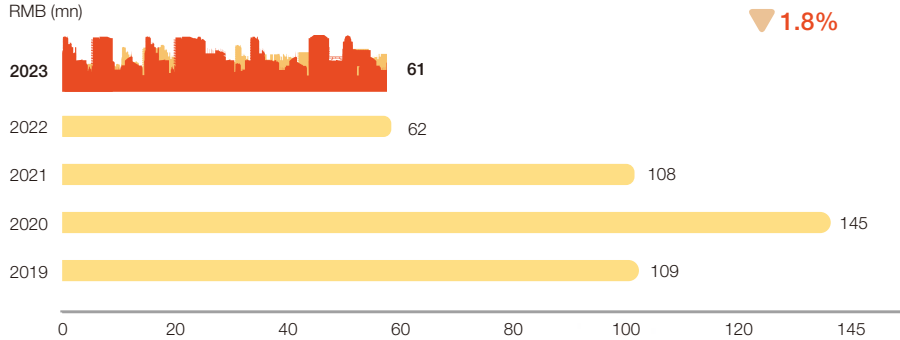
RMB (mn)

CAGR
+1.4%**GROSS PROFIT**

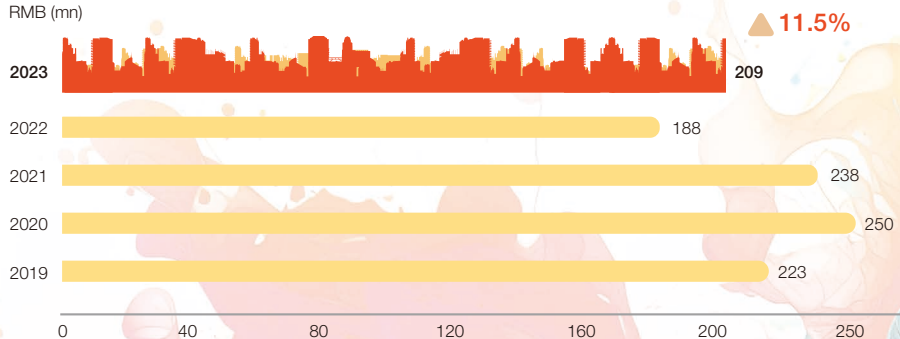
RMB (mn)

CAGR
-1.7%**PROFIT FOR THE YEAR**

RMB (mn)

CAGR
-13.5%**EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION, EBITDA**

RMB (mn)

CAGR
-1.6%

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 2023.



Investing for tomorrow, delivering and growth today

We invest in our businesses to create long-term value for our shareholders and our stakeholders including customers, employees and suppliers. We believe that this investment, with the process of ambition and renewal that accompanies it, builds momentum and sharpens focus across the Group. In common with many businesses we have faced inflationary pressures across most cost lines, but particularly in relation to labour, transportation and fuel, which has now slowed, was proactively managed and mitigated during the period through tight cost control and recovery. The Board (the "Board") of directors (the "Director(s)") is confident that while the pandemic have created challenges and turbulence in the past three years but our strategy proved to be resilience and sustainable, 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 decreasing 4.4% year-on-year to approximately RMB1,686.2 million in 2023. Overall we can maintain our market share despite these difficulties.

The completed acquisitions of Guangdong Kangli and Kailan flour in 2023 have broaden our product portfolio and have achieved expected results. Our current product mix, sweet single piece biscuits, salty single piece biscuits, sandwich biscuits and wafers are being the dominant product range represent about 67.7% (2022: 77.0%) of the total revenue. Please refer page 13 for the detailed analysis of the Group's revenue from different product segments. The Group's operating profit (earnings before interest and tax, EBIT) has increased by 10.0% to approximately RMB119.3 million (2022: approximately RMB108.5 million). This represents an EBIT margin of 7.1% (2022: 6.1%). Profits attributable to the owners of the Company

amounted to approximately RMB63.9 million (decreased by 1.1% compared to previous year), providing a return on revenue of 3.8% (previous year: 3.7%). Net operating cash flow reached approximately RMB176.4 million (previous year: approximately RMB71.6 million). We believed 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 were 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.



CHAIRMAN'S STATEMENT



Our gross profit margin for the year 2023 increased by 3.6 percentage points to 29.8% (2022: 26.2%). To minimize the impact of raw materials prices fluctuation 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 production operations. We believed that the cost inflation we are experiencing across a number of our raw materials inputs is being proactively managed.

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

CHAIRMAN'S STATEMENT

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 in the past. 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 the annual general meeting held on June 30, 2023, Ms. Ho Man Kay has resigned from independent non-executive Director of the Company while Mr. Wan Nar Yin, David has been appointed as independent non-executive Director accordingly; Mr. Li Fuliang; Mr. Lu Jianxiong and Mr. Huang Zekun were also appointed as executive Directors of the Company after the conclusion of the annual general meeting held on June 30, 2023. During the year, Ms. Huang Rujiao and Mr. Zhang Ziwen were appointed as executive Director and independent non-executive Director respectively with effect from October 1, 2023 and Mr. Zhao Gang was appointed as executive Director with effect from October 30, 2023. As at the date of this report, the Board comprises a total of twelve Directors, being eight executive Directors, and four independent non-executive Directors. The number of independent non-executive Directors represents at least one-third of the Board as required by Rule 3.10A of the Listing Rules of the Stock Exchange of Hong Kong (the "Listing Rules"). The biographies of the Directors are set out from pages 44 to 46 of this annual report.

Dividends

The Board is proposing a final dividend of HK\$0.10 per share in this year. The final dividend, if approved by shareholders, will be paid on June 14, 2024 to shareholders on the register at the close of business on May 31, 2024. Shares will go ex-dividend on May 28, 2024.

Creating sustainable value across our business model

This year the Group continued to make further commitment to Environmental, Social and Governance (the "ESG") activities. Jiashili, being a responsible business we have always prioritized the safety of our people, customers and members of the communities we serve. We are passionate about improving the lives of our people, contributing in a positive way to the environment, engaging in the communities in which we live and work and ensuring strong governance for our business. Our ESG priorities are to operate in the most sustainable and responsible way in all areas of our business. Lead with ESG is about engagement, action and results; embracing responsible sustainability and success for our people, our customers, our communities and our investors, we have analysed the issues and impacts that are most important and material to our business and stakeholders in our defined areas of focus as set out in our sustainability wheel. Looking ahead, we recognise that there is likely to be further significant regulation and legislation

CHAIRMAN'S STATEMENT

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 2023 ESG activities are 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 those previous 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

Our business continues to perform well benefitting from strong customer demand in our end markets. The continuing enhancements to our operational flexibility and continuing investment in our people will ensure that we can capitalise on these growing and diverse end markets. We believed that the rapid economic recovery in China together with increased consumer spending will boost our sales in 2024. 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 21, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Resilience and Sustainability

Jiashili is one of the largest producer of quality biscuits and crackers in China more than 68 years since 1956, we market, sell and distribute our products under more than 12 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. 2023, has been another significant year for Jiashili, once again shaped by circumstances outside our control. The business has demonstrated incredible resilience, as we stepped up to support customers, colleagues, suppliers and communities through the impact of rising cost pressures. At the same time, we have made further progress towards achieving our strategic priorities. As 2023 was the first year of the post pandemic era in the consumer market, various market players planned to innovate, which resulted in increasingly fierce market competition. In 2023, the gross domestic product of the People's Republic of China (the "PRC" or "China") recorded a year-on-year increase of 5.2% and total retail sales of consumer goods grew by 7.2% year-on-year, demonstrating the resilience and vitality of China's economy as well as the emergence of consumption as a major driver of economic growth. The year of 2023 was positioned as the "Consumption-Boosting Year (消費振興年)" in China, consumption-promoting policies were rolled out intensively in many places across the country to promote the development of the consumer market, which played an important supporting role in boosting consumer confidence, driving industry development, and stabilising the uptrend of consumer spending recovery. 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.

The products produced and distributed by the Group can be summarized into the following product ranges:

- I. Biscuits: Sweet and Salty single piece, Sandwich, Wafers and other biscuits.
- II. Pasta: Spaghetti and Macaroni.
- III. Flour.
- IV. Others: Bread, Mooncakes, Candies, Soymilk and other products.

Performance Review

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 decreased by approximately RMB77.8 million or 4.4% to approximately RMB1,686.2 million in 2023. Gross profit increased by approximately RMB40.8 million to approximately RMB502.9 million from approximately RMB462.0 million in the same period of 2022, representing a year-on-year surge of 8.8%, the increase was mainly due to the tighter control of our costs of raw materials and efficient utilization of our production capacity. As a result, gross profit margin increased by approximately 3.6 percentage points to 29.8% as compared of 26.2% with that of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year decreased by 1.8% or approximately RMB1.1 million in 2023 to approximately RMB61.1 million from approximately RMB62.2 million of 2022. The decrease was mainly attributable to the increase in impairment provision under expected credit loss model and the fair value loss on the unlisted equity investment fund. 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. We have continued to support our customers and delivered a strong performance, responding with speed and agility to the new and ongoing challenges we faced during the year. It is testament to our resilience as a business, our careful planning, and our flexibility that we have been able to do so with such success.

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 2023, our Group has more than 2,320 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 and distribution expenses accounted for 12.6% of revenue of 2023. (2022: 12.8%) which in line with product sales. Jiashili is a highly diversified group with a wide range of biscuits and leisure snack products, comprises of more than 10 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

Research and Development

The Group's policy on research activities adhered to the philosophy of satisfying consumer needs and insisted on value innovation. In terms of plans, it continued to empower its featured products by securing supply; on the other hand, it captured the trend, grasped the competitive landscape of the industry, and developed new products to facilitate steady growth of the Company's revenue. The Group's top priority in research and development throughout 2023 was to empower the existing featured products, focusing on major flavours. The Group maintained its competitiveness in the market by continuously refining its product strengths with to bring better consumption experience to consumers. In 2023, research expenses amounted to approximately RMB57.1 million slightly decreased by 3.5% year-on-year. Research expenses accounted for approximately 3.4% of the total revenue in 2023 (2022: 3.4%). Looking forward to 2024, the Group's business research philosophy will continue to build and maintain consumers' satisfaction for company's product strengths with continuous innovation and progress to satisfy consumers' needs and create products with good value for money for consumers.

Electronic Commerce (e-commerce)

The Group captured the selling opportunities in various scenarios offline and expanded the sales in e-commerce and O2O platforms online. The diversified sales channel penetration and marketing strategies continuously improved the brand awareness and reputation. Meanwhile, the Group will further expand its presence in multiple scenarios by enhancing development and resources investments in family, catering, O2O and other channels. While maintaining sales growth and improving resilience, the Group will actively capture market trends, and discover and embrace new opportunities.

FINANCIAL REVIEW

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, 2023 Group's revenue decreased by 4.4% year-on-year to approximately RMB1,686.2 million. Revenue from the biscuits, pasta and flour business amounted to approximately RMB1,680.7 million, representing a decrease of 4.7% as compared with the corresponding period of last year, which accounted for 99.7% of the Group's total revenue, and revenue from the hotel services amounted to approximately RMB5.5 million, which accounted for 0.3% of the Group's total revenue. Breakdown of revenue by products in 2023 and the comparative figures for the same period last year are set forth as follows:

	2023		2022		Increase/(Decrease)	
	RMB (million)	Revenue contribution	RMB (million)	Revenue contribution	RMB (million)	%
Sweet Single piece biscuits	514.0	30.6%	596.2	33.8%	-82.2	-13.8%
Salty Single piece biscuits	48.5	2.9%	56.5	3.2%	-8.0	-14.2%
Sandwich biscuits	415.6	24.7%	525.6	29.8%	-110.0	-20.9%
Wafers	159.4	9.5%	180.1	10.2%	-20.7	-11.5%
Coarse grain biscuits	55.3	3.3%	83.5	4.7%	-28.2	-33.8%
Other biscuits	179.8	10.7%	153.1	8.7%	26.7	17.4%
Pasta	128.1	7.6%	99.6	5.6%	28.5	28.6%
Flour	81.2	4.8%	—	—	81.2	—
Others	98.8	5.9%	69.4	3.9%	29.4	42.4%
Total	1,680.7	100.0%	1,764.0	100.0%	-83.3	-4.7%

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of revenue by products

Sweet single piece biscuits

For the year ended December 31, 2023, revenue from sweet single piece biscuits recorded a decline of 13.8% or approximately RMB82.2 million to approximately RMB514.0 million as compared with the same period last year. The market landscape for sweet single piece biscuits continued to be challenged in the year.

Salty single piece biscuits

In 2023, the revenue generated from salty single piece biscuits decreased by approximately RMB8.0 million representing a decrease of 14.2% ahead of corresponding period last year to approximately RMB48.5 million.

Sandwiches biscuits

Turning to sandwich biscuits, mainly fruit jam sandwiches biscuits (果樂果香), in 2023 the revenue generated from sandwich biscuits series dropped by 20.9%, or approximately 110.0 million year-on-year to approximately RMB415.6 million.

Wafers

In 2023, the revenue generated from wafers amounted to approximately RMB159.4 million, representing a decrease of 11.5% or approximately RMB20.7 million ahead of corresponding period last year. The Group's wafers series were highly regarded as high value-for-money (高性價比) biscuits in China consumer markets.

Coarse grain biscuits

In 2023, coarse grain biscuit recorded a revenue of approximately RMB55.3 million, representing a decline of 33.8% or approximately RMB28.2 million as compared with the same period last year. Market repositioning and marketing channel restructuring is underway for coarse grain biscuits.

Other biscuits

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. Other biscuits products include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. The other biscuits business recorded a revenue of approximately RMB179.8 million in 2023, representing an increase of 17.4% over last year.

Pasta

In the second quarter of 2023, the Group completed the acquisition of pasta business from our controlling shareholders, the pasta business recorded a revenue of approximately RMB128.1 million, increase of 28.6% ahead of the corresponding period of last year, which maintained a stable growth momentum.

Flour

In the third quarter of 2023, the Group completed the acquisition of flour business from third party, the flour business recorded a revenue of approximately RMB81.2 million.

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, 2023, revenue from others was increased by 42.4% to approximately RMB98.8 million as compared with the same period last year. In which revenue from short shelf-life bread amounted to approximately RMB27.3 million (2022: approximately RMB28.4 million). Mooncakes business recorded revenue of approximately RMB42.2 million in 2023 increase of 13.6% ahead of the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group adheres to a consumer-oriented approach, staying true to its original aspirations without compromising its quality. The Group will gain in-depth understanding of consumers' preferences and needs and continue to polish products to improve quality with the aim of providing consumers with more satisfactory experiences. The Group will establish a strong emotional connection with consumers by conveying the brand concept to consumers through products to gain emotional resonance, ultimately becoming a trusted partner of consumers.

Gross profit and Gross profit margin

Overall gross profit margin increased mainly due to declining costs of raw materials particularly palm oil and flour. In 2023, gross profit amounted to approximately RMB502.9 million (2022: approximately RMB462.0 million), representing a year-on-year increase of 8.8%. Gross profit margin increased to 29.8% (2022: 26.2%) in 2023, representing a rise of 3.6 percentage points from last year. The increase in both gross profit and gross profit margin was due to the decreasing purchasing costs of our raw materials (mainly palm oil). In 2023, purchasing costs of palm oil have decreased on average by about 25.7% from preceding year, and flour decreased by about 1.4% from last year. The Group will further imposed stringent measures and controls to keep our production and manufacturing cost remain competitive.

Selling and distribution expenses

Selling and distribution expenses comprise mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. The selling and distribution expenses has dropped by 6.1% from approximately RMB225.8 million in 2022 to approximately RMB212.0 million in 2023. In 2023, the selling administration and advertising and promotion expenses were approximately RMB139.8 million (2022: approximately RMB140.6 million). Selling administration and advertising and promotion expenses as a percentage of revenue was 8.3% (2022: 8.0%) which was in line with Group's policy to expand and broaden our consumer base. Delivery and transportation expenses in 2023 were approximately RMB72.2 million (2022: approximately RMB85.2 million). Delivery and transportation expenses as a percentage of revenue is 4.3% in 2023 (2022: 4.8%), 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, tax expenses and rental expenses. For the year ended December 31, 2023, administrative expenses amounted to approximately RMB102.2 million, representing an increase of approximately RMB14.6 million or 16.7% year-on-year. The increase was mainly attributable to increase in legal and professional expenses, depreciation and other office expenses.

Analysis of operating efficiency

The Group stringently controls and manages the levels of trade receivables, trade payables and inventories. Sales to most customers are made on a delivery on advance payment basis. Trade receivables are generated from credit sales to credit customers from distribution channels and others.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's inventories consist mainly of raw materials, packaging materials and finished goods. As at December 31, 2023 the inventories balance increased by RMB58.2 million to RMB172.8 million (December 31, 2022: RMB114.5 million) as compared to the beginning of the year, which was attributable to the early preparation of products for the Lunar Chinese New Year sales. Accordingly, the inventory turnover days has increased from 31 days in 2022 to 44 days in 2023.

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, together with other deposits and prepayments. The amounts of trade, bills and other receivables has increased by 43.1% from approximately RMB158.4 million in 2022 to approximately RMB226.7 million in 2023. Thus, the trade, bills and other receivables turnover days has increased from 35 days in 2022 to 42 days in 2023.

The Group's trade, bills and other payables refer to the Group's trade and bills payables to suppliers, together with accrued expenses and other payables. The amounts of trade, bills and other payables has decreased by 5.4% from approximately RMB276.9 million in 2022 to approximately RMB262.1 million in 2023. Thus, the trade, bills and other payables turnover days has reduced from 92 days in 2022 to 83 days in 2023.

The Group reckoned that trade receivables turnover days, inventory turnover days and trade payables turnover days in the distribution channel helped the Group in understanding the efficiency of inventory liquidity and the sales and cash conversion cycle. Through reviewing and improving the turnover days, the Group could further improve its revenue, profit and the ability of on-going growth for the sake of enhancing operational efficiency.

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, 2023, the Group's net current assets was approximately RMB28.4 million (2022: approximately RMB54.1 million). Current ratio of the Group as at December 31, 2023 was 1.03 (2022: 1.06). We believed our Group is in the healthy state of operating situation with adequate source of resources to meet our short-term debt.

- ¹ Inventory turnover days were calculated based on the average of inventory balances as at the beginning and the end of the year divided by cost of sales multiplied by the number of days in the year.
- ² Trade, bills and other receivables turnover days were calculated based on the average of trade, bills and other receivables s balances as at the beginning and the end of the year divided by revenue multiplied by the number of days in the year or period.
- ³ Trade, bills and other payables turnover days were calculated based on the average of trade, bills and other payables balances as at the beginning and the end of the year divided by cost of sales multiplied by the number of days in the year.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2023, the Group had bank balances and cash amounted to approximately RMB290.1 million (2022: approximately RMB320.3 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, 2023 amounted to approximately RMB696.2 million, increased by approximately RMB92.9 million, or 15.4% 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, 2023, the Group was in a net debt position (defined as bank balances and cash less total bank borrowings, but exclude lease liability) of approximately RMB406.1 million (2022: net debt position of approximately RMB282.9 million). As at December 31, 2023, the gross gearing ratio (defined as total liabilities over total assets) was 54.0% (2022: 52.7%). Total equity as at December 31, 2023 was approximately RMB1,004.0 million (as at December 31, 2022: approximately RMB1,003.6 million). 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.

Contingent liabilities and guarantees

As at December 31, 2023, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

The year 2024 is bound to be a very challenging year, and the Group envisages that the operating environment is expected to remain highly competitive. The Group will evolve to meet the demands of consumers and strive to continue to maintain and improve product quality. The Group will also focus on maintaining the market share and product competitiveness in order to increase the popularity of Jiashili biscuits and food in the industry. The Group will leverage operational efficiencies and cost saving initiative to ensure that a better performance is achieved in the coming year.

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 twelve Directors, one is female representing 8.3% 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.

Board Composition

During the year ended December 31, 2023 and as at the date of this report, the Board of the Company was constituted by twelve members, including eight executive Directors, and four independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

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. Li Fuliang *(appointed on July 1, 2023)*
 Mr. Lu Jianxiong *(appointed on July 1, 2023)*
 Mr. Huang Zekun *(appointed on July 1, 2023)*
 Ms. Huang Rujiao *(appointed on October 1, 2023)*
 Dr. Zhao Gang *(appointed on October 30, 2023)*

Independent Non-Executive Directors

Mr. Kam Robert
 Ms. Ho Man Kay *(resigned on June 30, 2023)*
 Mr. Ma Xiaoqiang
 Mr. Wan Ngar Yin, David *(appointed on July 1, 2023)*
 Mr. Zhang Ziwen *(appointed on October 1, 2023)*

The biographical information of the Directors is set out on pages 44 to 46 of this report.

AREAS OF BOARD FOCUS IN 2023

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

- 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.

CORPORATE GOVERNANCE REPORT

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 four 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, 2023.

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 23 to 29 of this report.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND GENERAL MEETING

During the year ended December 31, 2023, four 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 30, 2023 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, 2022. The attendance record of each Director at the Board meetings and the general meeting is set out below:

Name of Board Members	General Meeting		Board Meeting	
	Number of attendance	Number of meetings	Number of attendance	Number of meetings
Executive Directors				
Mr. Huang Xianming	1	1	4	4
Mr. Tan Chaojun	1	1	4	4
Mr. Chen Songhuan	1	1	4	4
Mr. Li Fuliang (appointed on July 1, 2023)	1	1	2	4
Mr. Lu Jianxiong (appointed on July 1, 2023)	1	1	2	4
Mr. Huang Zekun (appointed on July 1, 2023)	1	1	2	4
Ms. Huang Rujiao (appointed on October 1, 2023)	0	1	0	4
Dr. Zhao Gang (appointed on October 30, 2023)	0	1	1	4
Independent Non-Executive Directors				
Mr. Kam Robert	1	1	4	4
Ms. Ho Man Kay (resigned on June 30, 2023)	1	1	2	4
Mr. Ma Xiaoqiang	1	1	4	4
Mr. Wan Ngar Yin, David (appointed on July 1, 2023)	1	1	2	4
Mr. Zhang Ziwen (appointed on October 1, 2023)	0	1	1	4

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 independent 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.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10(A) of the Listing Rules, there are four independent non-executive Directors, representing at least one-third of the Board. Among the four independent non-executive Directors, two 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.

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.

CORPORATE GOVERNANCE REPORT

A summary of training received by the Directors for the year ended December 31, 2023 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. Li Fuliang	√
Mr. Lu Jianxiong	√
Mr. Huang Zekun	√
Ms. Huang Rujiao	√
Dr. Zhao Gang	√
Independent Non-Executive Directors	
Mr. Kam Robert	√
Mr. Ma Xiaoqiang	√
Mr. Wan Ngar Yin, David	√
Mr. Zhang Ziwen	√

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, 2023;
- approval of the annual report and accounts for the year ended December 31, 2022;
- approval of the AGM resolutions;
- consider and review the Group's dividend policy;
- investor relations;
- treasury policy;
- growth and acquisition strategy;
- adoption of the 2023 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.

CORPORATE GOVERNANCE REPORT

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, 2023 and as at the date of this report, the Audit Committee comprised four independent non-executive Directors: Mr. Kam Robert, Mr. Ma Xiaoqiang, Mr. Wan Ngar Yin, David and Mr. Zhang Ziwen 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, 2023, 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 (<i>Chairman</i>)	4	4
Ms. Ho Man Kay (<i>resigned on June 30, 2023</i>)	2	4
Mr. Ma Xiaoqiang	4	4
Mr. Wan Ngar Yin, David (<i>appointed on July 1, 2023</i>)	2	4
Mr. Zhang Ziwen (<i>appointed on October 1, 2023</i>)	1	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.

CORPORATE GOVERNANCE REPORT

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 for the year ended December 31, 2023

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 RMB93.7 million, and the fair value loss on the financial asset at FVTPL for the year ended December 31, 2023 amounted to approximately RMB13.5 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.

CORPORATE GOVERNANCE REPORT

(iii) Review on assessment of goodwill arising from acquisition of Fengjia

The Committee undertakes an formal goodwill assessment on acquisitions of Fengjia 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 Fengjia 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 Fengjia is approximately RMB26.2 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.

CORPORATE GOVERNANCE REPORT

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, 2023 was approximately RMB2.04 million (2022: approximately RMB1.82 million) of which approximately RMB0.20 million (2022: 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.

CORPORATE GOVERNANCE REPORT

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 2024.

Nomination Committee

During the year ended December 31, 2023 and as at the date of this report, the Nomination Committee had five members comprising one executive Director and four independent non-executive Directors: Mr. Huang Xianming, Mr. Kam Robert, Mr. Ma Xiaoqiang, Mr. Wan Ngar Yin, David and Mr. Zhang Ziwen 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, 2023, 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 (<i>Chairman</i>)	2	2
Ms. Ho Man Kay (<i>resigned on June 30, 2023</i>)	1	2
Mr. Kam Robert	2	2
Mr. Ma Xiaoqiang	2	2
Mr. Wan Ngar Yin, David (<i>appointed on July 1, 2023</i>)	1	2
Mr. Zhang Ziwen (<i>appointed on October 1, 2023</i>)	1	2

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 2023, Ms. Ho Man Kay has resigned in June 2023 after 2023 AGM. The Committee and the Board are grateful for the contributions she has made. Seven additional Directors have been appointed during the year, namely Mr. Li Fuliang, Mr. Lu Jianxiong, Mr. Huang Zekun, Ms. Huang Rujiao, Mr. Wan Ngar Yin, David, Mr. Zhang Ziwen and Dr. Zhao Gang. The biographical details of the Directors are set out on pages 44 to 46 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.

CORPORATE GOVERNANCE REPORT

Remuneration Committee



During the year ended December 31, 2023, the Remuneration Committee had five members comprising one executive Director and four independent non-executive Directors: Mr. Kam Robert, Mr. Ma Xiaoqiang and Mr. Huang Xianming, Mr. Wan Ngar Yin, David and Mr. Zhang Ziwen respectively. Mr. Wan Ngar Yin, David 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.

CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2023, 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 (<i>resigned on June 30, 2023</i>)	1	2
Mr. Huang Xianming	2	2
Mr. Kam Robert	2	2
Mr. Ma Xiaoqiang	2	2
Mr. Wan Ngar Yin, David (<i>appointed on July 1, 2023</i>)	1	2
Mr. Zhang Ziwen (<i>appointed on October 1, 2023</i>)	1	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, 2023:

Group (Note)	Remuneration (RMB)	Numbers of Individuals
1	0–855,000	15
2	855,001–1,283,000	2

Note:

Group 1 includes 11 Directors and 4 member of senior management.

Group 2 includes 2 Directors 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, 2023.

INTERNAL CONTROLS

For the year ended December 31, 2023, 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.

CORPORATE GOVERNANCE REPORT

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.
- 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.
- 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.
- 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 Board has adopted a new and revised Articles of Association which was duly passed on the annual general meeting on June 30, 2023.

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

CORPORATE GOVERNANCE REPORT

- 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, 2023.

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, 2023 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, 2023, are set out in the "Chairman's Statement" on pages 6 to 9 and the "Management Discussion and Analysis" on pages 10 to 16 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.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES**RISK MANAGEMENT****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.

REPORT OF THE DIRECTORS

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

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.

REPORT OF THE DIRECTORS

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

REPORT OF THE DIRECTORS

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 HK10.00 cents per ordinary share for the year ended December 31, 2023 (2022: 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, May 31, 2024. Subject to the approval by the shareholders of the Company, the payment date of the proposed final dividend is expected to be on Friday, June 14, 2024. The dividend per ordinary share for the year ended December 31, 2023 is HK\$10.00 cents. (2022: HK\$5.00 cents)

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Monday, May 13, 2024 to Monday, May 20, 2024 (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 2024 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, May 10, 2024. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, May 30, 2024 to Friday, May 31, 2024 (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, May 29, 2024.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 5.5% of the Group's turnover and sales to the Group's largest customer was approximately 1.9% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 20.92% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 5.2% 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.

REPORT OF THE DIRECTORS

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 39 to the consolidated financial statements.

RESERVES

At December 31, 2023, the Company's reserves available for distribution amounted to approximately RMB171.5 million (2022: approximately RMB195.8 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 statement of financial position 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, 2023.

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 RMB2.0 million (2022: approximately RMB0.4 million) during the year ended December 31, 2023.

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 47 to 48 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, 2023.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement during the year of 2023.

SUBSIDIARIES

Details of the Company's subsidiaries as at the date of this report are set out in note 48 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. Li Fuliang (appointed on July 1, 2023)
Mr. Lu Jianxiong (appointed on July 1, 2023)
Mr. Huang Zekun (appointed on July 1, 2023)
Ms. Huang Rujiao (appointed on October 1, 2023)
Dr. Zhao Gang (appointed on October 30, 2023)

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay (resigned on June 30, 2023)
Mr. Ma Xiaoqiang
Mr. Wan Nar Yin, David (appointed on July 1, 2023)
Mr. Zhang Ziwen (appointed October 1, 2023)

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 four independent non-executive Directors, representing at least 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 four 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 46 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under note 46 "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 2023 or at any time during 2023.

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, 2023, 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 Xianming ("Mr. Huang")	The Company	Interests of controlled corporation ⁽²⁾	310,472,000 (L) ⁽¹⁾	74.81%
Mr. Huang	Kaiyuan Investments Limited ("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.

REPORT OF THE DIRECTORS

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

As at December 31, 2023, 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
Mr. Huang	Interest in controlled corporation ⁽¹⁾ , interest in family member ⁽²⁾ /Long position	310,472,000	74.81%
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%
Great Logistics	Beneficial interest/Long position	34,304,000	8.26%
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%

REPORT OF THE DIRECTORS

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 17 to 33 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, 2023 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, 2023.

AUDITOR

The consolidated financial statements for the year ended December 31, 2023 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 21, 2024

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Huang Xianming (黃銑銘) (“Mr. Huang”), aged 52, 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) (“Mr. Tan”), aged 57, 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 (陳松澆) (“Mr. Chen”), age 56, 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.

Mr. Li Fuliang (黎福良) (“Mr. Li”), aged 51, brother-in-law of Mr. Huang Xianming, Mr. Li is the spouse of Ms. Huang Rujun, Ms. Huang Rujun is the elder sister of Mr. Huang Xianming, is deemed to be party acting with Mr. Huang Xianming. Mr. Li was graduated from Guangdong Lingnan Institute of Technology (廣東嶺南職業技術學院) majoring in business management, Mr. Li was awarded a post-secondary level diploma. Mr. Li was the general manager of Kunshan Taibang Technology Electronic Material Company Limited (昆山市台邦科技電子材料有限公司) from 2002 to 2014 responsible for administration and management for the company. Currently Mr. Li is the chief executive officer of Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中農實業集團有限公司) since 2015 responsible for overall management of the company and its subsidiaries. Mr. Li has more than 20 years of administration and management experience in PRC enterprises.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Lu Jianxiong (盧健雄) (“Mr. Lu”), aged 53, 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 and Mr. Lu is also responsible for bakery business of Guangzhou Jialixuan Food Co., Limited (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.

Mr. Huang Zekun (黃澤坤), aged 29, son of Mr. Huang Xianming joined our Group in June 2021 is currently the director of e-commerce department 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 brand building and planning, product publicity and development and online marketing and organize and plan e-commerce live broadcast activities. Mr. Huang Zekun is also responsible for bakery business of Guangzhou Jialixuan Food Co., Limited (廣州嘉利軒食品有限公司). Prior to joining our Group, Mr. Huang Zekun have two year experience in internet marketing, internet advertising and promotion and marketing data collection and the integrated analysis of consumers’ data. Mr. Huang Zekun graduated from the Singapore Bedok Green Secondary School (新加坡公立育青中學) in 2014. Mr. Huang Zekun obtained a Bachelor’s degree in Sociology from University of California, Santa Barbara (美國加利福尼亞大學聖巴巴拉分校) in 2020.

Ms. Huang Rujiao, (“Ms. Huang”) age 57, has been the general manager of Guangdong Zhongchen Industrial Holding Co., Ltd.* (廣東中晨實業集團有限公司) from 2000 to 2015. Ms. Huang is currently the general manager of Guangdong Kangli Food Company Limited* (廣東康力食品有限公司) since 2017, responsible for the overall operation, management and development of the company. Ms. Huang obtained her Bachelor degree in Business Administration from the School of Business at Sun Yat-Sen University (中山大學). Ms. Huang has around 25 years of executive management and administration experience in various enterprises. Ms. Huang is the sister of Mr. Huang, the substantial shareholder and executive Director of the Company.

Dr. Zhao Gang (趙剛) (“Dr. Zhao”), aged 49, is graduated from the Victoria University of Switzerland (瑞士維多利亞大學) with a Doctor in Business Administration (DBA) in September 2009. He also received a Master Degree in Business Administration (MBA) from Guangxi University (廣西大學) in June 2015. Dr. Zhao has more than 23 year profound knowledge and extensive experience in digital sales, brand development and e-commerce management. Dr. Zhao is currently the assistant general manager of the Group responsible for the Group’s overall sales and marketing; Group’s management and development and Dr. Zhao is also the director of our e-commerce company.

Prior to joining the Group, Dr. Zhao was the vice-president of Kele Ming Chuang Technology Company Limited* (可樂名創科技有限公司) responsible for sales and O2O business from February 2022 to May 2023. From January 2021 to February 2022, Dr. Zhao was the chief executive officer of Dong Dong Food Company Limited* (咚咚食品有限公司), a company principally engaged in selling leisure snack food through internet. From July 2013 to January 2021, Dr. Zhao worked at Bestore* (良品鋪子股份有限公司) (listed on the Shanghai Stock Exchange with stock code: 603719) as senior vice-president responsible for the group’s overall sales and marketing, e-commerce management and brand development and management. From May 2002 to March 2013, Dr. Zhao worked as a general manager in marketing department of Tongfang Company Limited* (同方股份有限公司) (listed on the Shanghai Stock Exchange with stock code: 600100).

Dr. Zhao has been awarded the 15-years Best Manager of Nuts and Roasted Seeds Industry of China (20052020). Dr. Zhao also has been awarded the prize of brilliant contributions of Hubei Internet Industry in 2020 and the CMO Best Ten Golden Craftsman Award in China in 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Robert (甘廷仲) (alias 甘定滔) (“Mr. Kam”), age 66, 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.

Mr. Wan Nar Yin, David (溫雅言) (“Mr. Wan”), aged 63, is currently the Managing Director of Jin Yi Financial Group Ltd (金益金融集團有限公司) since May 2022. Before it, Mr. Wan was the Managing Director of Silverbricks Securities Company Limited (元庫證券有限公司) and Silverbricks Assets Management Company Limited (元庫資產管理有限公司) from June 2019 to April 2022. Before that, Mr. Wan had worked in group of Yuanta Securities Company Limited (元大證券有限公司) (“Yuanta”) in Hong Kong for over 10 years. His last role in Yuanta was Director of Business Development of Yuanta Securities Hong Kong Company Limited (元大證券(香港)有限公司). Mr. Wan has been an independent non-executive Director of Sinocloud Group Limited (中雲集團有限公司)(LYY.SI), a company listed in the Singapore Stock Exchange, since March 2019. Mr. Wan is also a Director (Practising) of KTC Partners CPA Limited (和信會計師事務所有限公司).

Mr. Ma Xiaoqiang (馬曉強) (“Mr. Ma”), aged 41, 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.

Mr. Zhang Ziwen, (“Mr. Zhang”) age 28, obtained his Bachelor degree in Engineering with major in Theoretical and Applied Mechanics from the School of Aeronautics and Astronautics at Sun Yat-Sen University (中山大學) in June 2017 and a Master degree in Engineering with major in Engineering Mechanics at Sun Yat-Sen University (中山大學) in June 2020. Mr. Zhang is currently worked in China Automotive Technology and Research Testing Centre (Guangzhou) Co., Limited* (中汽研汽車檢驗中心(廣州)有限公司) as engineer since July 2020.

SENIOR MANAGEMENT

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

Ms. Li Yanfei (李燕菲), aged 36, 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				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	1,686,182	1,763,996	1,597,132	1,518,545	1,593,067
Cost of sales	(1,183,299)	(1,301,953)	(1,138,209)	(1,007,557)	(1,054,202)
Gross profit	502,883	462,043	458,923	510,988	538,865
Other income	62,816	59,756	39,990	47,535	48,322
Selling and distribution expenses	(212,007)	(225,804)	(216,351)	(223,045)	(219,046)
Administrative expenses	(102,241)	(87,606)	(78,354)	(76,396)	(75,844)
Other expenses	(80,399)	(76,207)	(69,113)	(64,079)	(56,193)
Impairment losses recognised under expected credit loss model, net	(45,138)	(21,683)	(35,334)	(820)	5,030
Other gains and losses	(2,102)	3,130	82,486	(409)	(69,738)
Share of results of associates	(1,032)	(6,738)	(4,726)	(1,910)	(2,535)
Share of results of a joint venture	(3,462)	1,593	(6,680)	(479)	(1,420)
Finance costs	(29,153)	(31,115)	(30,972)	(22,232)	(20,046)
Profit before tax	90,165	77,369	139,869	169,153	147,395
Income tax expense	(29,035)	(15,145)	(31,564)	(23,888)	(38,856)
Profit for the year	61,130	62,224	108,305	145,265	108,539
Other Comprehensive income Item that may be reclassified subsequently to profit or loss: Exchange differences arising on the translation of foreign operations	(898)	—	—	—	—
Total comprehensive income for the year	60,232	62,224	108,305	145,265	108,539
Profit (loss) for the year attributable to:					
Owners of the Company	63,918	64,624	115,428	142,669	109,584
Non-controlling interests	(2,788)	(2,400)	(7,123)	2,596	(1,045)
	61,130	62,224	108,305	145,265	108,539
Total comprehensive income (expense) attributable to:					
Owners of the Company	63,020	64,624	115,428	142,669	109,584
Non-controlling interests	(2,788)	(2,400)	(7,123)	2,596	(1,045)
	60,232	62,224	108,305	145,265	108,539

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at December 31				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	2,180,792	2,120,775	2,093,415	1,773,218	1,633,754
TOTAL LIABILITIES	(1,176,779)	(1,117,184)	(1,111,587)	(856,290)	(858,930)
TOTAL EQUITY	1,004,013	1,003,591	981,828	916,928	774,824

CASH FLOW SUMMARY

	As at December 31				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash provided from (used in)					
Operating activities	176,437	71,584	101,654	279,765	120,910
Investing activities	(213,549)	(49,515)	(343,375)	(113,105)	(26,000)
Financing activities	7,821	(96,856)	135,149	(108,717)	(42,812)
Net (decrease) increase in cash and cash equivalents	(29,291)	(74,787)	(106,572)	57,943	52,098

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, 2023, 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 material accounting policy information and other explanatory information.

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, 2023, 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 (“HKSA”) 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.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Estimation of impairment loss on loan receivables</i></p> <p>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.</p> <p>As at December 31, 2023, the Group's loan receivables amounted to RMB152,411,000 (net of allowance for ECL of RMB38,283,000). During the year ended December 31, 2023, the Group recognised impairment losses of approximately RMB28,313,000 under ECL model for loan receivables.</p> <p>The accounting policy of loan receivables and details of loan receivables are set out in notes 3, 28 and 42(b), respectively, to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment loss on loan receivables included:</p> <ul style="list-style-type: none"> • Understanding the management process in assessing the impairment loss under ECL model of loan receivables; • Evaluating the competence and objectivity of the management's external valuation specialist and obtaining an understanding of its scope of work and terms of engagement; • With the assistance of our internal valuation specialists, evaluating the reasonableness of the impairment methodology and significant assumptions used by management, including the determination of probability of default, loss given default and forward-looking information; • Testing the mathematical accuracy of the calculation of ECL; and; • Evaluating the disclosures regarding the impairment assessment of loan receivables in notes 3, 28 and 42(b) to the consolidated financial statements.

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.

Independent Auditor's Report

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 HKSAAs 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 HKSAAs, 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.
- 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.

Independent Auditor's Report

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

- 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 Ko Ngai Yeung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 21, 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (restated)
Revenue	5 & 6	1,686,182	1,763,996
Cost of sales		(1,183,299)	(1,301,953)
Gross profit		502,883	462,043
Other income	7	62,816	59,756
Other gains and losses	8	(2,102)	3,130
Selling and distribution expenses		(212,007)	(225,804)
Administrative expenses		(102,241)	(87,606)
Other expenses	9	(80,399)	(76,207)
Impairment losses recognised under ECL model, net	10	(45,138)	(21,683)
Share of results of associates		(1,032)	(6,738)
Share of results of a joint venture		(3,462)	1,593
Finance costs	11	(29,153)	(31,115)
Profit before tax		90,165	77,369
Income tax expense	12	(29,035)	(15,145)
Profit for the year	13	61,130	62,224
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		(898)	—
Total comprehensive income for the year		60,232	62,224
Profit (loss) for the year attributable to:			
Owners of the Company		63,918	64,624
Non-controlling interests		(2,788)	(2,400)
		61,130	62,224
Total comprehensive income (expense) attributable to:			
Owners of the Company		63,020	64,624
Non-controlling interests		(2,788)	(2,400)
		60,232	62,224
Earnings per share	16		
— Basic (RMB cents)		15.40	15.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	696,891	504,871
Right-of-use assets	18	257,328	212,629
Investment properties	19	30,083	16,290
Intangible assets	20	97,288	31,648
Goodwill	21	65,085	38,337
Interests in associates	22	20,775	21,788
Interest in a joint venture	23	—	4,634
Loan to a joint venture	24a	—	158,949
Loan to a non-controlling shareholder of a subsidiary	24b	—	4,947
Loan receivables	28	789	27,221
Financial asset at fair value through profit or loss ("FVTPL")	25	93,666	107,131
Deferred tax assets	38	4,276	2,711
Other receivables and deposits	26	2,899	1,775
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		2,156	12,586
		1,271,236	1,145,517
CURRENT ASSETS			
Inventories	27	172,779	114,546
Trade, bills and other receivables	26	226,680	158,369
Loan receivables	28	151,622	143,125
Amounts due from associates	29a	46,137	48,879
Amounts due from non-controlling shareholders of subsidiaries	29b	6,909	2,866
Amounts due from a joint venture	29c	—	175,594
Amounts due from related parties	29d	45	16
Loans to non-controlling shareholders of subsidiaries	24b	6,879	9,608
Income tax recoverable		5,269	1,855
Pledged/restricted bank deposits	30	3,150	99
Cash and cash equivalents	30	290,086	320,301
		909,556	975,258

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (restated)
CURRENT LIABILITIES			
Trade, bills and other payables	31	262,062	276,945
Contract liabilities	32	90,264	100,070
Income tax payables		18,765	20,437
Bank borrowings	33	503,248	510,524
Other borrowing	34	934	—
Amount due to a non-controlling shareholder of a subsidiary	35a	9	6
Amounts due to a related party	35b	63	18
Amounts due to associates	35c	127	10
Amount due to a director	35d	—	3,000
Amounts due to a joint venture	35e	—	4,734
Deferred income	36	2,071	1,929
Lease liabilities	37	3,599	3,475
		881,142	921,148
NET CURRENT ASSETS			
		28,414	54,110
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,299,650	1,199,627
NON-CURRENT LIABILITIES			
Deferred tax liabilities	38	8,410	8,664
Deferred income	36	44,846	44,289
Bank borrowings	33	192,912	92,690
Other borrowing	34	1,640	—
Lease liabilities	37	47,829	50,393
		295,637	196,036
NET ASSETS			
		1,004,013	1,003,591

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (restated)
CAPITAL AND RESERVES			
Share capital	39	3,285	3,285
Reserves		964,094	961,284
Equity attributable to owners of the Company		967,379	964,569
Non-controlling interests		36,634	39,022
TOTAL EQUITY		1,004,013	1,003,591

The consolidated financial statements on pages 53 to 168 were approved and authorised for issue by the board of directors on March 21, 2024 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, 2023

	Attributable to owners of the Company								Non-controlling interests RMB'000	Total RMB'000	
	Share capital RMB'000	Share premium RMB'000 (note a)	Special reserve RMB'000 (note b)	Contribution reserve RMB'000	Statutory reserve RMB'000 (note c)	Translation reserve RMB'000	Other reserve RMB'000 (note e)	Accumulated profits RMB'000			Sub-Total RMB'000
At January 1, 2022	3,285	197,448	(107,000)	18,333	203,586	—	—	635,529	951,181	30,647	981,828
Retrospective adjustments of business combination	—	—	—	—	483	—	76,298	(17,199)	59,582	8,330	67,912
At January 1, 2022 (restated)	3,285	197,448	(107,000)	18,333	204,069	—	76,298	618,330	1,010,763	38,977	1,049,740
Profit (loss) and total comprehensive income (expense) for the year (restated)	—	—	—	—	—	—	—	64,624	64,624	(2,400)	62,224
Business combination under common control	—	—	—	—	—	—	(93,000)	—	(93,000)	—	(93,000)
Transfer	—	—	—	—	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 (restated)	3,285	179,630	(107,000)	18,333	204,722	—	(16,702)	682,301	964,569	39,022	1,003,591
Profit (loss) for the year	—	—	—	—	—	—	—	63,918	63,918	(2,788)	61,130
Other comprehensive expense for the year	—	—	—	—	—	(898)	—	—	(898)	—	(898)
Total comprehensive (expense) income for the year	—	—	—	—	—	(898)	—	63,918	63,020	(2,788)	60,232
Business combination under common control	—	—	—	—	—	—	(42,000)	—	(42,000)	—	(42,000)
Transfer	—	—	—	—	11,824	—	—	(11,824)	—	—	—
Capital contribution from a non-controlling shareholder of a subsidiary (note d)	—	—	—	—	—	—	—	—	—	400	400
Dividends recognised as distribution (note 15)	—	(18,210)	—	—	—	—	—	—	(18,210)	—	(18,210)
At December 31, 2023	3,285	161,420	(107,000)	18,333	216,546	(898)	(58,702)	734,395	967,379	36,634	1,004,013

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

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 RMB144,525,000 (2022: RMB136,643,000 (restated)) as at December 31, 2023 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 RMB72,021,000 (2022: RMB68,079,000 (restated)) as at December 31, 2023 can be used to expand the existing operations of the relevant subsidiaries.
- (d) For the year ended December 31, 2023, the amount represents capital contribution from a non-controlling shareholder of a subsidiary in form of cash contribution of RMB400,000 (2022: RMB3,000,000).
- (e) As at January 1, 2022, the restated amount represents the share capital and share premium of the acquiree. As stated in note 3.1, during the year ended December 31, 2022, the Group made initial payment consideration of RMB93,000,000 for the acquisition which has been accounted for as business combination under common control. In April 2023, the acquisition was completed and the remaining payment consideration of RMB42,000,000 was accounted for as deemed distribution to the shareholder.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	90,165	77,369
Adjustments for:		
Amortisation of intangible assets	8,905	5,838
Depreciation of property, plant and equipment	68,681	62,470
Depreciation of right-of-use assets	10,502	9,758
Depreciation of investment properties	1,666	952
Fair value loss (gain) on financial asset at FVTPL	13,465	(2,963)
Finance costs	29,153	31,115
Impairment losses recognised under ECL model, net	45,138	21,683
Impairment losses recognised (reversed) on inventories	1,573	(110)
Imputed interest income	(82)	(90)
Interest income	(23,713)	(29,886)
(Gains) losses on disposal of property, plant and equipment	(84)	18
Release of deferred income	(2,455)	(5,077)
Share of results of a joint venture	3,462	(1,593)
Share of results of associates	1,032	6,738
Unrealised exchange loss, net	10	320
Loss on deemed disposal of an associate	—	240
Gain on deemed disposal of a joint venture	(12,840)	—
Operating cash flows before movements in working capital	234,578	176,782
Decrease in inventories	24,746	2,163
(Increase) decrease in trade, bills and other receivables	(35,150)	28,300
Decrease (increase) in amounts due from associates	2,742	(4,364)
(Increase) decrease in amounts due from non-controlling shareholders of subsidiaries	(5,688)	4,168
Decrease (increase) in amounts due from a joint venture	12,172	(52,742)
Increase in amounts due from related parties	(29)	(8)
Decrease in trade, bills and other payables	(17,310)	(106,463)
Increase (decrease) in amount due to a non-controlling shareholder of a subsidiary	3	(1,123)
Increase (decrease) in amounts due to related parties	45	(3,982)
Decrease in amount due to a director	(3,000)	—
Increase (decrease) in amounts due to a joint venture	9,395	(1,747)
Increase in amounts due to associates	117	10
(Decrease) increase in contract liabilities	(10,244)	36,948
Cash generated from operations	212,377	77,942
Income tax paid	(35,940)	(6,358)
NET CASH FROM OPERATING ACTIVITIES	176,437	71,584

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000 (restated)
INVESTING ACTIVITIES		
New loan receivables advanced	(3,000)	(47,000)
Repayment of loan receivables	3,640	11,000
Placement of pledged/restricted bank deposits	(3,150)	(99)
Withdrawal of pledged/restricted bank deposits	99	21,044
Deposit paid for acquisition of property, plant and equipment	(2,156)	(2,586)
Purchase of property, plant and equipment	(166,450)	(26,549)
Purchase of right-of-use assets	(34,566)	—
Purchase of investment properties	(15,459)	—
Proceeds from disposal of property, plant and equipment	576	114
Net cash outflow on acquisition of subsidiaries	(2,177)	(18,988)
Acquisition of investment in an associate	—	(21,539)
Repayment of loan from a joint venture	—	15,300
Receipts of asset-related government grants	3,154	180
Interest received	5,940	19,608
NET CASH USED IN INVESTING ACTIVITIES	(213,549)	(49,515)
FINANCING ACTIVITIES		
New bank borrowings raised	738,990	654,000
Repayment of bank borrowings	(646,044)	(577,924)
New other borrowing raised	3,000	—
Repayment of other borrowing	(426)	—
Dividends paid	(18,210)	(17,818)
Distribution to a non-controlling shareholder of a subsidiary	—	(555)
Interest paid on bank borrowings	(26,463)	(26,982)
Interest paid on other borrowing	(189)	—
Interest paid on lease liabilities	(2,501)	(4,133)
Repayments of lease liabilities	(3,475)	(33,444)
Business combination under common control	(37,261)	(93,000)
Capital contribution from non-controlling shareholders of subsidiaries	400	3,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,821	(96,856)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,291)	(74,787)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	320,301	395,510
Effect of foreign exchange rate changes	(924)	(422)
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Represented by cash and cash equivalents	290,086	320,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

2.1 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

New and amendments to IFRSs that are mandatorily effective for the current year *(continued)*

2.1 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies *(continued)*

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2024.

³ Effective for annual periods beginning on or after January 1, 2025.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other 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, 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

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, 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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.

3.2 Restatements

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting. The material accounting policy information about the merger accounting for business combination involving business under common control is set out in note 3.3.

In the current year, the Company acquired 100% equity interests in Guangdong Kangli Food Co. Limited* 廣東康力食品有限公司 (“Kangli”) from Koni (Hong Kong) Food Investment Limited with a total cash consideration of RMB135,000,000 (the “Acquisition”). The Company acquired control over Kangli and its subsidiary (collectively “Kangli Group”) on April 19, 2023. Kangli Group is engaged in the manufacturing and sales of pasta.

The Company and Kangli are under common control of Mr. Huang Xianming before and after the Acquisition. Therefore, it was regarded as a common control combination and accounted for using the principles of merger accounting. The financial statements of Kangli Group are included in the Group’s consolidated financial statements as if the Acquisition had occurred from the date when the ultimate controlling shareholder first obtained control. Therefore, the comparative figures of the consolidated financial statements of the Group as at December 31, 2022 and for the year ended December 31, 2022 have been restated.

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**3.2 Restatements** (continued)

The summarised effect of restatements on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 in applying the principles of merger accounting is as follows:

	The Group (as previously reported) RMB'000	Kangli Group RMB'000	Adjustments for business combination under common control RMB'000	The Group (restated) RMB'000
Revenue	1,664,360	100,702	(1,066)	1,763,996
Cost of sales	(1,222,114)	(80,905)	1,066	(1,301,953)
Gross profit	442,246	19,797	—	462,043
Other income	43,851	15,905	—	59,756
Other gains and losses	3,149	(19)	—	3,130
Selling and distribution expenses	(219,411)	(6,393)	—	(225,804)
Administrative expenses	(83,226)	(4,380)	—	(87,606)
Other expenses	(59,788)	(16,419)	—	(76,207)
Impairment losses recognised under ECL model, net	(21,367)	(316)	—	(21,683)
Share of results of associates	(6,738)	—	—	(6,738)
Share of results of a joint venture	1,593	—	—	1,593
Finance costs	(30,886)	(229)	—	(31,115)
Profit before tax	69,423	7,946	—	77,369
Income tax expense	(14,419)	(726)	—	(15,145)
Profit and total comprehensive income for the year	55,004	7,220	—	62,224
Profit (loss) and total comprehensive income (expense) for the year attributable to:				
Owners of the Company	56,974	7,650	—	64,624
Non-controlling interests	(1,970)	(430)	—	(2,400)
	55,004	7,220	—	62,224

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**3.2 Restatements** (continued)

The summarised effect of restatements on the consolidated statement of financial position as at December 31, 2022 in applying the principles of merger accounting is as follows:

	The Group (as previously reported) RMB'000	Kangli Group RMB'000	Adjustments for business combination under common control RMB'000	The Group (restated) RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	448,795	56,076	—	504,871
Right-of-use assets	204,175	8,454	—	212,629
Investment properties	10,603	5,687	—	16,290
Intangible assets	31,648	—	—	31,648
Goodwill	38,337	—	—	38,337
Interests in associates	21,788	—	—	21,788
Interest in a joint venture	4,634	—	—	4,634
Financial assets at FVTPL	107,131	—	—	107,131
Loan to a joint venture	158,949	—	—	158,949
Loan to a non-controlling shareholder of a subsidiary	—	—	4,947	4,947
Loan receivables	32,168	—	(4,947)	27,221
Deferred tax assets	2,711	—	—	2,711
Other receivables and deposits	1,775	—	—	1,775
Deposits paid for acquisition of right-of-use assets and property, plant and equipment	12,000	586	—	12,586
Deposit paid for acquisition of a subsidiary	93,000	—	(93,000)	—
	1,167,714	70,803	(93,000)	1,145,517
CURRENT ASSETS				
Inventories	104,729	9,817	—	114,546
Trade, bills and other receivables	145,376	12,993	—	158,369
Loan receivables	143,125	—	—	143,125
Amounts due from associates	48,879	—	—	48,879
Amounts due from non-controlling shareholders of subsidiaries	—	2,866	—	2,866
Amounts due from a joint venture	175,594	—	—	175,594
Amount due from a related party	16	208	(208)	16
Loan to a non-controlling shareholder of a subsidiary	9,608	—	—	9,608
Income tax recoverable	1,855	—	—	1,855
Pledged/restricted bank deposits	99	—	—	99
Cash and cash equivalents	310,108	10,193	—	320,301
	939,389	36,077	(208)	975,258

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)**3.2 Restatements** (continued)

The summarised effect of restatements on the consolidated statement of financial position as at December 31, 2022 in applying the principles of merger accounting is as follows: (continued)

	The Group (as previously reported) RMB'000	Kangli Group RMB'000	Adjustments for business combination under common control RMB'000	The Group (restated) RMB'000
CURRENT LIABILITIES				
Trade, bills and other payables	267,269	9,676	—	276,945
Contract liabilities	92,092	7,978	—	100,070
Income tax payables	19,859	578	—	20,437
Bank borrowings	510,524	—	—	510,524
Amount due to a non-controlling shareholder of a subsidiary	—	6	—	6
Amounts due to related parties	226	—	(208)	18
Amount due to an associate	10	—	—	10
Amount due to a director	—	3,000	—	3,000
Amounts due to a joint venture	—	4,734	—	4,734
Deferred income	1,929	—	—	1,929
Lease liabilities	3,475	—	—	3,475
	895,384	25,972	(208)	921,148
NET CURRENT ASSETS	44,005	10,105	—	54,110
TOTAL ASSETS LESS CURRENT LIABILITIES	1,211,719	80,908	(93,000)	1,199,627
NON-CURRENT LIABILITIES				
Deferred tax liabilities	8,388	276	—	8,664
Deferred income	44,289	—	—	44,289
Bank borrowings	87,190	5,500	—	92,690
Lease liabilities	50,393	—	—	50,393
	190,260	5,776	—	196,036
NET ASSETS	1,021,459	75,132	(93,000)	1,003,591
CAPITAL AND RESERVES				
Share capital	3,285	52,000	(52,000)	3,285
Reserves	987,052	15,232	(41,000)	961,284
Equity attributable to owners of the Company	990,337	67,232	(93,000)	964,569
Non-controlling interests	31,122	7,900	—	39,022
TOTAL EQUITY	1,021,459	75,132	(93,000)	1,003,591

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Restatements *(continued)*

The effect of restatement on the Group's earnings per share for the year ended December 31, 2022 in applying the principles of merger accounting is as follows:

	Year ended December 31, 2022 RMB cents
Basic	
Originally stated	13.73
Adjustments arising from business combination under common control	1.84
Restated	15.57

3.3 Material accounting policy information

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, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired assumed by allocating the purchase price first to financial assets at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) except for transactions and events within the scope of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* or *IFRIC 21 Levies*, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Business combinations or asset acquisitions *(continued)*

Business combinations *(continued)*

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 *Income Taxes* 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;
- 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.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Merger accounting for business combination involving businesses under common control *(continued)*

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(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 *Impairment of Assets* ("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.

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 *Financial Instruments* ("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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Investments in associates and joint ventures *(continued)*

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

Information about the Group's accounting policies relating to contracts with customers is provided in notes 5 and 32.

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 *Leases* ("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 and motor vehicle 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 assets 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(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.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Leases *(continued)*

The Group as a lessor *(continued)*

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowing within the scope of IFRS 9.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

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.

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 current and deferred income tax expense.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Taxation *(continued)*

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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.

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 the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Taxation *(continued)*

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.

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.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, the carrying amount of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Investment properties

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

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

An investment properties are derecognised upon disposal or when the investment properties are 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Cash and cash equivalents

Cash and cash equivalents 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, cash and cash equivalents 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. 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 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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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

(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 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 related parties, loans to a joint venture and non-controlling shareholders of subsidiaries, 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.

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;

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(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)*

- 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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(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)*

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

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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 8) as part of the net foreign exchange gains and losses;

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Material accounting policy information *(continued)*

Financial instruments *(continued)*

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.

Financial liabilities at amortised cost

Financial liabilities (including trade, bills and other payables, amounts due to a non-controlling shareholder of a subsidiary, a related party, associates, a director and a joint venture, bank borrowings and other borrowing) 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 underlying 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

Critical judgements in applying accounting policies *(continued)*

Judgement in identifying whether an acquisition is a business combination or asset acquisition

The Group applies judgement to identify a business combination or asset acquisition. IFRS 3 defines a business combination as a transaction or other event in which an acquirer obtains control of one or more businesses. A business combination may be structured in a variety of ways for legal, taxation or other reasons.

A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

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 hotel 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 was completed in October 2023. The Group identified the transaction as asset acquisition.

On August 28, 2023, the Group acquired the remaining equity interest of a joint venture from a third party, details are set out in note 23. The Group identified the transaction as business combination.

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, 2023 and 2022, 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 mainly measured at fair value. The carrying amount of the unlisted equity investment fund as at December 31, 2023 was RMB93,666,000 (2022: RMB107,131,000) with fair value loss recognised in profit or loss of RMB13,465,000 (2022: gain of RMB2,963,000) for the year then ended.

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 42(c).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**Key sources of estimation uncertainty** (continued)**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 related parties, loans to a joint venture and non-controlling shareholders of subsidiaries, pledged/restricted bank deposits and bank balances. For the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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 42(b).

5. REVENUE**(i) Disaggregation of revenue from contracts with customers**

An analysis of the Group's revenue from major products and service 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. The Group's food products revenue and service revenue are recognised at a point in time and over time, respectively.

	2023 RMB'000	2022 RMB'000 (restated)
Sales channels		
Distributors	1,658,676	1,759,171
Supermarkets	3,310	2,382
Retail customers	24,196	2,443
	1,686,182	1,763,996
Timing of revenue recognition		
A point in time	1,680,654	1,763,996
Over time	5,528	—
	1,686,182	1,763,996

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. REVENUE *(continued)*

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of food products

The Group sells biscuit and other products to distributors, supermarkets and retail customers 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 limited 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 and retail customers, 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. Amounts of such discount or rebate are included in transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the specific period expired.

Hotel services

The Group provides hotel services to retail customers in Kaiping City, Guangdong Province. Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from other ancillary services is generally recognised at the point in time when the services are rendered.

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

All contracts for sale of biscuit and other products and hotel service of room rental 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 goods or services delivered or provided.

During the current year, the Group commenced the business engaging in pasta products along with the acquisition of Kangli (as detailed in note 3.2) and flour products along with the acquisition of Guangdong Fengjia Food Co. Limited* 廣東豐嘉食品有限公司 ("Fengjia") (as detailed in note 23), and they are considered as new operating and reportable segments by the CODM.

The CODM reviews operating results and financial information on a product category by product category basis. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

6. SEGMENT INFORMATION (continued)

Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

1. Biscuit products
2. Pasta products
3. Flour products

In addition to the above reportable segments, 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".

* English name for identification purpose only.

Segment revenue and results

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

2023

	Biscuit products RMB'000	Pasta products RMB'000	Flour products RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
External sales	1,372,622	128,063	81,160	104,337	1,686,182
Inter-segment sales	2,798	1,820	38,327	2,873	45,818
	1,375,420	129,883	119,487	107,210	1,732,000
Segment results	448,411	22,962	7,240	24,270	502,883
Other income					62,816
Other gains and losses					(2,102)
Selling and distribution expenses					(212,007)
Administrative expenses					(102,241)
Other expenses					(80,399)
Impairment losses recognised under ECL model, net					(45,138)
Share of results of associates					(1,032)
Share of results of a joint venture					(3,462)
Finance costs					(29,153)
Profit before tax					90,165

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

6. SEGMENT INFORMATION (continued)**Segment revenue and results** (continued)**2022**

	Biscuit products RMB'000	Pasta products RMB'000 (restated)	Others RMB'000	Total RMB'000 (restated)
Segment revenue				
External sales	1,594,970	99,636	69,390	1,763,996
Inter-segment sales	2,495	1,066	—	3,561
External sales	1,597,465	100,702	69,390	1,767,557
Segment results	426,995	19,797	15,251	462,043
Other income				59,756
Other gains and losses				3,130
Selling and distribution expenses				(225,804)
Administrative expenses				(87,606)
Other expenses				(76,207)
Impairment losses recognised under ECL model, net				(21,683)
Share of results of associates				(6,738)
Share of results of a joint venture				1,593
Finance costs				(31,115)
Profit before tax				77,369

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, 2023

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, 2023

	Biscuit products RMB'000	Pasta products RMB'000	Flour products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	54,371	7,460	1,715	5,135	—	68,681
Amortisation of intangible assets	5,066	—	2,981	858	—	8,905
Depreciation of right-of-use assets	8,804	182	244	1,272	—	10,502
Depreciation of investment properties	—	280	—	1,386	—	1,666

Year ended December 31, 2022

	Biscuit products RMB'000	Pasta products RMB'000 (restated)	Others RMB'000	Unallocated RMB'000	Total RMB'000 (restated)
Depreciation of property, plant and equipment	52,876	5,995	3,372	227	62,470
Amortisation of intangible assets	5,067	—	771	—	5,838
Depreciation of right-of-use assets	8,616	182	960	—	9,758
Depreciation of investment properties	—	280	672	—	952

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

6. SEGMENT INFORMATION (continued)**Other segment information** (continued)**Revenue from major products**

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

	2023 RMB'000	2022 RMB'000 (restated)
Revenue by products		
Biscuit		
— Sweet single piece biscuits	514,034	596,193
— Salty single piece biscuits	48,456	56,496
— Sandwich biscuits	415,602	525,647
— Wafers	159,346	180,053
— Coarse grain biscuits	55,341	83,474
— Other biscuits	179,843	153,107
	1,372,622	1,594,970
Pasta	128,063	99,636
Flour	81,160	—
Others (note)	98,809	69,390
	1,680,654	1,763,996
Revenue by service		
Hotel services	5,528	—
Total	1,686,182	1,763,996

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)	
	2023 RMB'000	2022 RMB'000 (restated)	2023 RMB'000	2022 RMB'000 (restated)
The PRC (country of domicile)	1,683,322	1,762,080	1,169,606	842,783
Others (note b)	2,860	1,916	—	—
	1,686,182	1,763,996	1,169,606	842,783

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, 2023

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000 (restated)
Government grants (note 36)	12,420	10,309
Interest income on:		
— bank balances and deposits	3,920	5,170
— loan receivables	9,931	16,152
— loan to a joint venture	4,717	7,447
— loans to non-controlling shareholders of subsidiaries	406	1,117
— advance to a related party	4,739	—
Sales of scrap and packaging materials	22,081	17,205
Rental income	4,102	2,184
Others	500	172
	62,816	59,756

8. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000 (restated)
Fair value (loss) gain on financial asset at FVTPL	(13,465)	2,963
Net foreign exchange gains	12	315
Gains (losses) on disposal of property, plant and equipment	84	(18)
Gain on deemed disposal of a joint venture	12,840	—
Loss on deemed disposal of an associate	—	(240)
Allowance (recognised) reversed on inventories	(1,573)	110
	(2,102)	3,130

9. OTHER EXPENSES

	2023 RMB'000	2022 RMB'000 (restated)
Research expenses	57,057	59,135
Donation expenses	2,012	434
Cost of scrap and packaging materials sold	18,029	15,309
Building lease expenses	2,175	952
Other non-operating expenses	1,126	377
	80,399	76,207

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For the year ended December 31, 2023

10. IMPAIRMENT LOSSES RECOGNISED UNDER ECL MODEL, NET

	2023 RMB'000	2022 RMB'000 (restated)
Impairment losses recognised on:		
— loan receivables	28,313	1,756
— loans to non-controlling shareholders of subsidiaries	7,676	2,050
— loan to a joint venture	4,759	4,988
— amounts due from non-controlling shareholders of subsidiaries	1,645	3,556
— amounts due from a joint venture	—	1,123
— trade receivables	1,414	3,878
— other receivables	1,331	4,332
	45,138	21,683

Details of impairment assessment are set out in note 42(b).

11. FINANCE COSTS

	2023 RMB'000	2022 RMB'000 (restated)
Interest expenses on		
— bank borrowings	26,463	26,982
— other borrowing	189	—
— lease liabilities	2,501	4,133
	29,153	31,115

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

12. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000 (restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")		
– Current year	30,073	17,097
– Underprovision in prior years	781	1,073
	30,854	18,170
Deferred tax (note 38):	(1,819)	(3,025)
	29,035	15,145

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 Department of Science and Technology 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.

Guangdong Kailan Flour Co. Limited* 廣東開蘭麵粉有限公司 ("Kailan Flour") engages in manufacture and sale of flour. According to Cai Shui 2008 No.149, a joint circular of Ministry of Finance and State Administration of Taxation, wheat preliminary processing for flour is in the scope of EIT exemption. Kailan Flour is registered with Kaiping Administration for Market Regulation to be eligible to grain processing.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

12. INCOME TAX EXPENSE (continued)

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense related to Pillar Two income taxes when it is in effect.

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:

	2023 RMB'000	2022 RMB'000 (restated)
Profit before tax	90,165	77,369
Tax at PRC Tax rate of 25% (2022: 25%)	22,541	19,342
Tax effect on concessionary tax rate	(4,200)	(1,995)
Tax effect on concessionary policy on research and development expenses (note)	(10,690)	(12,131)
Tax effect of expenses not deductible for tax purpose	3,046	3,133
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	1,104	855
Tax effect of deductible temporary differences not recognised	13,916	3,283
Tax effect of tax losses not recognised	6,499	4,286
Utilisation of tax losses previously not recognised	(2,796)	(3,511)
Utilisation of deductible temporary differences previously not recognised	(534)	(27)
Tax effect on share of results of a joint venture	866	(398)
Tax effect on share of results of associates	258	1,685
Tax effect of withholding tax on undistributed profits of the PRC subsidiaries	1,454	(450)
Underprovision in prior years	781	1,073
Others	(3,210)	—
Income tax expense recognised in profit or loss	29,035	15,145

Note: It represents additional 100% (2022: 100%) tax deduction in respect of qualifying research and development expenses incurred for the year.

In addition to the amount charged to profit or loss, no amount relating to tax has been recognised in other comprehensive income or directly in equity.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2023 RMB'000	2022 RMB'000 (restated)
Directors' and chief executive's remuneration (note 14)	4,716	3,657
Other employee benefits expenses:		
Salaries and allowances	227,495	241,756
Contributions to retirement benefits scheme	25,857	23,342
Total employee benefits expenses	258,068	268,755
Depreciation of property, plant and equipment	68,681	62,470
Depreciation of right-of-use assets	10,502	9,758
Depreciation of investment properties	1,666	952
Amortisation of intangible assets (included in cost of sales)	8,905	5,838
Total depreciation and amortisation	89,754	79,018
Auditors' remuneration	1,835	1,800
Cost of inventories recognised as an expense (including recognition of allowance on inventories amounting to RMB1,573,000 (2022: reversal of RMB110,000))	1,182,138	1,301,953

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:

	2023 RMB'000	2022 RMB'000
Director's fee	1,327	1,001
Salaries and allowances	3,367	2,580
Discretionary bonus	—	65
Contributions to retirement benefits scheme	22	11
	4,716	3,657

Notes to the Consolidated Financial Statements

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14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION*(continued)***Directors' and chief executive's emoluments** *(continued)***Year ended December 31, 2023**

	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 <i>(Chairman and chief executive officer)</i>	162	868	—	—	1,030
Mr. Tan Chaojun 譚朝均 <i>(Vice chairman)</i>	162	615	—	—	777
Mr. Chen Songhuan 陳松浣	162	772	—	7	941
Mr. Huang Zekun 黃澤坤 <i>(Appointed on June 30, 2023)</i>	81	216	—	8	305
Mr. Li Fuliang 黎福良 <i>(Appointed on June 30, 2023)</i>	81	—	—	—	81
Mr. Lu Jianxiong 盧建雄 <i>(Appointed on June 30, 2023)</i>	81	237	—	7	325
Ms. Huang Rujiao 黃如嬌 <i>(Appointed on October 1, 2023)</i>	40	529	—	—	569
Mr. Zhao Gang 趙剛 <i>(Appointed on October 30, 2023)</i>	32	130	—	—	162
Independent Non-executive Directors (note b)					
Mr. Kam Robert 甘廷仲	162	—	—	—	162
Ms. Ho Man Kay 何文琪 <i>(Resigned on June 30, 2023)</i>	81	—	—	—	81
Mr. Ma Xiao Qiang 馬曉強	162	—	—	—	162
Mr. Wan Ngar Yin 溫雅言 <i>(Appointed on June 30, 2023)</i>	81	—	—	—	81
Mr. Zhang Ziwen 張子文 <i>(Appointed on October 1, 2023)</i>	40	—	—	—	40
	1,327	3,367	—	22	4,716

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For the year ended December 31, 2023

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 <i>(Chairman and chief executive officer)</i>	154	803	—	—	957
Mr. Tan Chaojun 譚朝均 <i>(Vice chairman)</i>	154	581	36	2	773
Mr. Chen Songhuan 陳松澆	154	447	29	7	637
Mr. Liu Shouping 劉守平 <i>(Resigned on June 28, 2022)</i>	77	749	—	2	828
Independent Non-executive Directors (note b)					
Mr. Kam Robert 甘廷伸	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:

- (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 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, 2023 and 2022 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, 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION*(continued)***Directors' and chief executive's emoluments** *(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, 2023 and 2022, 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 (2022: four) directors for the year ended December 31, 2023. The emoluments of the remaining one (2022: one) individual for the year ended December 31, 2023, are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	531	508
Contributions to retirement benefits scheme	7	7
	538	515

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	
	2023	2022
Nil to HK\$1,000,000 (equivalent to nil to RMB900,000) (2022: equivalent to nil to RMB855,000)	3	4
HK\$1,000,001 to HK\$1,500,000 (equivalent to more than RMB900,000 to RMB1,350,000) (2022: equivalent to more than RMB855,000 to RMB1,283,000)	2	1

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, 2023

15. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2022 Final — HK5 cents (2022: 2021 Final — HK5 cents) per share	18,210	17,818

Subsequent to the end of the reporting period, a final dividend of HK10 cents (2022: HK5 cents) per share, amounting to approximately HK\$41,500,000 (equivalent to approximately RMB37,644,000) (2022: approximately HK\$20,750,000 (equivalent to approximately RMB18,210,000)), 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:

	2023 RMB'000	2022 RMB'000 (restated)
Earnings Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	63,918	64,624
	2023 '000	2022 '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 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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, 2022 (restated)	323,461	31,982	438,261	50,193	19,658	9,535	873,090
Additions (restated)	5,131	2,235	14,385	1,679	227	16,453	40,110
Acquired on acquisition of a subsidiary (note 40)	–	–	879	370	–	–	1,249
Disposals (restated)	(4)	–	(606)	(714)	(120)	–	(1,444)
Transfer (restated)	2,669	–	13,516	1,357	–	(17,542)	–
Reclassified as investment property	(18,914)	–	–	–	–	–	(18,914)
At December 31, 2022 (restated)	312,343	34,217	466,435	52,885	19,765	8,446	894,091
Additions	75,190	2,214	4,099	524	8,153	78,856	169,036
Acquired on acquisition of a subsidiaries (note 40)	84,021	–	7,058	232	367	479	92,157
Disposals	–	–	(313)	(294)	(999)	–	(1,606)
Transfer	11,252	–	7,284	1,880	7	(20,423)	–
At December 31, 2023	482,806	36,431	484,563	55,227	27,293	67,358	1,153,678
ACCUMULATED DEPRECIATION							
At January 1, 2022 (restated)	91,454	17,586	172,844	37,401	16,416	–	335,701
Provided for the year (restated)	16,164	5,498	31,966	6,502	2,340	–	62,470
Eliminated on disposals (restated)	(2)	–	(494)	(701)	(115)	–	(1,312)
Reclassified as investment property	(7,639)	–	–	–	–	–	(7,639)
At December 31, 2022 (restated)	99,977	23,084	204,316	43,202	18,641	–	389,220
Provided for the year	17,910	5,912	37,425	5,220	2,214	–	68,681
Eliminated on disposals	–	–	(147)	(20)	(947)	–	(1,114)
At December 31, 2023	117,887	28,996	241,594	48,402	19,908	–	456,787
CARRYING VALUES							
At December 31, 2023	364,919	7,435	242,969	6,825	7,385	67,358	696,891
At December 31, 2022 (restated)	212,366	11,133	262,119	9,683	1,124	8,446	504,871

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

18. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
As at December 31, 2023			
Carrying amount	142,427	114,901	257,328
As at December 31, 2022 (restated)			
Carrying amount	90,650	121,979	212,629
For the year ended December 31, 2023			
Depreciation charge	3,424	7,078	10,502
For the year ended December 31, 2022 (restated)			
Depreciation charge	2,422	7,336	9,758
		2023 RMB'000	2022 RMB'000
Expense relating to short-term leases		1,434	845
Total cash outflow for leases		41,976	38,422
Additions to right-of-use assets		55,201	195

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, 2023 and 2022, 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 RMB51,428,000 (2022: RMB53,868,000) were recognised with related right-of-use assets of RMB50,819,000 (2022: RMB54,130,000) as at December 31, 2023. 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 37 and 42(b).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

19. INVESTMENT PROPERTIES

The Group leases out factory buildings and commercial properties under operating leases with rentals payable monthly or quarterly. The leases run for a period of six to ten years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the properties at the end of lease term.

The Group uses the cost model to measure investment properties.

	Total RMB'000
COST	
At January 1, 2022 (restated)	5,967
Reclassified from property, plant and equipment	11,275
At December 31, 2022 (restated)	17,242
Additions	15,459
At December 31, 2023	32,701
DEPRECIATION	
At January 1, 2022	—
Provided for the year (restated)	952
At December 31, 2022 (restated)	952
Provided for the year	1,666
At December 31, 2023	2,618
CARRYING VALUES	
At December 31, 2023	30,083
At December 31, 2022 (restated)	16,290

The fair value of the Group's investment properties at December 31, 2023 was RMB140,840,000 (2022: RMB102,230,000 (restated)). The fair value has been arrived at based on a valuation carried out by the management.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

19. INVESTMENT PROPERTIES (continued)

The fair value was determined based on the income approach, where the market rental of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rental is assessed by reference to the rental achieved in the whole properties 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 properties.

In estimating the fair value of the properties, the highest and best use of the properties are their current use.

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

	2023		2022	
	Carrying amount RMB'000	Fair value at Level 3 hierarchy RMB'000	Carrying amount RMB'000 (restated)	Fair value at Level 3 hierarchy RMB'000 (restated)
Factory buildings located in Suqian City, Jiangsu Province	9,706	87,900	10,603	89,500
Factory buildings located in Kaiping City, Guangdong Province	5,408	12,390	5,687	12,730
Commercial properties located in Kaiping City, Guangdong Province	14,969	40,550	—	—
	30,083	140,840	16,290	102,230

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

Notes to the Consolidated Financial Statements

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20. INTANGIBLE ASSETS

	Trademarks RMB'000	License RMB'000	Total RMB'000
COST			
At January 1, 2022 and December 31, 2022	62,646	—	62,646
Addition	—	3,000	3,000
Acquired on acquisition of a subsidiary (note 40)	71,545	—	71,545
At December 31, 2023	134,191	3,000	137,191
AMORTISATION			
At January 1, 2022	25,160	—	25,160
Charge for the year	5,838	—	5,838
At December 31, 2022	30,998	—	30,998
Charge for the year	8,755	150	8,905
At December 31, 2023	39,753	150	39,903
CARRYING VALUES			
At December 31, 2023	94,438	2,850	97,288
At December 31, 2022	31,648	—	31,648

The above intangible assets have estimated useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Trademarks	10 years
License	15 years

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

21. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES

	Total RMB'000
COST AND CARRYING VALUES	
At January 1, 2022	27,449
Arising on acquisition of a subsidiary (note 40)	10,888
At December 31, 2022	38,337
Arising on acquisition of a subsidiary (note 40)	26,748
At December 31, 2023	65,085

The goodwill of RMB10,888,000 was acquired in the acquisition of Kaiping Jiarun Investment Co., Limited* 開平市嘉潤投資有限公司 (“Kaiping Jiarun”) during the year ended December 31, 2022. The business of Kaiping Jiarun was identified as an individual soymilk cash-generating units (“CGUs”).

The goodwill of RMB26,192,000 was acquired in the acquisition of Fengjia during the year ended December 31, 2023. The business of Fengjia was identified as an individual flour CGU.

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, 2023 and 2022.

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

	2023 RMB'000	2022 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	10,888
Flour CGU	26,748	—
	65,085	38,337

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

21. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES

(continued)

In addition to goodwill above, property, plant and equipment, investment properties, 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 (2022: 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.

	2023						2022				
	Crisp biscuits CGU	Sandwich biscuits CGU	Wafers CGU	Coarse grain biscuits CGU	Soymilk CGU	Flour CGU	Crisp biscuits CGU	Sandwich biscuits CGU	Wafers CGU	Coarse grain biscuits CGU	Soymilk CGU
Pre-tax discount rate	11%	11%	11%	11%	15%	10%	12%	12%	12%	12%	16%
Long-term growth rate	2%	2%	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 (2022: 3-year) period are extrapolated using the estimated long-term 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, 2023 and 2022, 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.

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22. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000 (restated)
Cost of investments in associates — unlisted	22,821	22,821
Share of post-acquisition results of associates	(2,089)	(1,057)
Exchange adjustments	43	24
	20,775	21,788

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
		2023	2022	2023	2022	
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%	33%	33%	Investment holding and sale of candy and biscuits
Chengdu Tianjianjun Agricultural Technology Co., Limited* 成都天健君農業科技有限公司 ("Tianjianjun") (note b)	The PRC	35%	35%	20%	20%	Manufacture and sale of rice

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22. INTERESTS IN ASSOCIATES *(continued)*

Notes:

- (a) The board composition of Hong Kong Ruishiyue comprised of three directors, in which one of the directors are appointed by the Group and the remaining two directors are appointed by the other shareholder. 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.

- (b) 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.

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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

	2023 RMB'000	2022 RMB'000
Current assets	11,183	14,719
Non-current assets	12,343	12,953
Current liabilities	(3,261)	(5,215)
Revenue	5,267	1,559
Loss and total comprehensive expense for the year	(2,975)	(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:

	2023 RMB'000	2022 RMB'000
Net assets of Tianjianjun	20,265	22,457
Non-controlling interests of Tianjianjun	(784)	—
Proportion of the Group's ownership interest in Tianjianjun	35%	35%
The Group's share of net assets of Tianjianjun	6,818	7,860
Adjustment for share of result during 20% of ownership interest held by the Group	279	279
Goodwill	12,560	12,560
Carrying amount of the Group's interest in Tianjianjun	19,657	20,699

Aggregate information of associates that are not individually material

	2023 RMB'000	2022 RMB'000
The Group's share of total comprehensive income (expense)	29	(5,899)
Aggregate carrying amount of the Group's interests in these associates	1,118	1,089

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23. INTEREST IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Cost of investment in a joint venture	—	10,200
Share of post-acquisition results of a joint venture	—	(5,566)
	—	4,634

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
		2023	2022	2023	2022	
Fengjia	The PRC	N/A	51%	N/A	50%	Manufacture and sale of flour

Note: Prior to the acquisition of Fengjia during the year ended December 31, 2023, the Group held 51% equity interest in Fengjia and accounted for the investment as a joint venture. On August 10, 2023, the Group entered into an equity transfer agreement with another shareholder of Fengjia. and pursuant to the equity transfer agreement, the Group agreed to purchase the remaining 49% equity interest in Fengjia for a total cash consideration of RMB9,800,000. The registration of the change of shareholder of Fengjia was completed on August 28, 2023. Fengjia has become an indirect wholly-owned subsidiary of the Group since then.

Fengjia has a direct wholly-owned subsidiary, namely Kailan Flour, in the PRC which is engaged in manufacture and sale of flour products, and an indirect wholly-owned subsidiary, namely Guangdong Kailan Grain Trading Co. Limited* 廣東開蘭糧食貿易有限公司 ("Kailan Grain"), in the PRC which was no business as at December 31, 2023.

* English name for identification purpose only.

Summarised financial information of a material joint venture

Summarised financial information in respect of Fengjia as at December 31, 2022 for the year ended December 31, 2022 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
Current assets	144,531
Non-current assets	209,521
Current liabilities	(180,377)
Non-current liabilities	(164,589)

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23. INTEREST IN A JOINT VENTURE *(continued)***Summarised financial information of a material joint venture** *(continued)***Fengjia** *(continued)*

	2022 RMB'000
Revenue	296,459
Profit and total comprehensive income for the year	3,123
Share of profit of a joint venture	1,593

The above profit for the year includes the followings:

	2022 RMB'000
Interest income	84
Interest expense	(7,447)

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
Net assets of Fengjia	9,086
Proportion of the Group's ownership interest in Fengjia	51%
Carrying amount of the Group's interest in Fengjia	4,634

On August 28, 2023, the Group completed the acquisition of the remaining 49% equity interest in Fengjia.

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24. LOANS TO A JOINT VENTURE AND NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

(a) Loan to a joint venture

The amount represents loan advanced to Fengjia, a joint venture, with aggregated principal value of RMB150,000,000 and relevant accrued interest of RMB14,589,000 at December 31, 2022, respectively. At December 31, 2022, an impairment loss under ECL model of RMB4,988,000 was recognised. The amount was non-trade in nature, secured by 100% equity interest of Kailan Flour, and interest bearing at 5% per annum.

(b) Loans to non-controlling shareholders of subsidiaries

The amounts represent loans advanced to non-controlling shareholders of subsidiaries, with aggregated principal value of RMB23,300,000 (2022: RMB23,300,000 (restated)) and interest receivables of RMB2,594,000 (2022: RMB2,594,000), of which RMB20,594,000 (2022: RMB20,594,000) has been past due as at the report date. Included in the carrying amount of loans to non-controlling shareholders of subsidiaries as at December 31, 2023 was accumulated impairment losses of RMB19,015,000 (2022: RMB11,339,000 (restated)). During the year ended December 31, 2023, an impairment loss under ECL model of RMB7,676,000 (2022: RMB2,050,000 (restated)) was recognised in the profit or loss for the loans to non-controlling shareholders of subsidiaries.

The principal value of RMB18,000,000 (2022: RMB18,000,000) 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 within one year and therefore classified as current (2022: current). The remaining principal value of RMB5,300,000 (2022: RMB5,300,000 (restated)) is non-trade in nature, secured by the non-controlling shareholder's equity interests in the subsidiary. The amount is repayable within one year and therefore classified as current (2022: non-current (restated)).

Details of impairment assessment subject to ECL model are disclosed in the note 42(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, 2023 and 2022, 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, 2023, the fair value of Jia Hui LLP is amounting to RMB93,666,000 (2022: RMB107,131,000) with a fair value loss recognised in profit or loss of RMB13,465,000 (2022: gain of RMB2,963,000) for the year ended December 31, 2023.

The fair value of the Group's unlisted equity investment fund at December 31, 2023 and 2022 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited ("Asset Appraisal") (2022: 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 42(c).

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

	2023 RMB'000	2022 RMB'000 (restated)
Trade and bills receivables	63,124	46,077
Less: allowance for ECL	(7,884)	(6,470)
Total trade and bills receivables, net	55,240	39,607
Prepayments for purchase of raw materials (note a)	55,323	31,661
Other tax recoverable (note b)	37,290	18,610
Other receivables, net of allowance (note c)	25,385	13,706
Other prepayments (note d)	46,050	51,303
Temporary payment on behalf of bakery stores	8,642	3,490
Rental and utility deposits	1,649	1,767
Less: amount shown under current assets	229,579 (226,680)	160,144 (158,369)
Amount shown under non-current assets as other receivables and deposits (note e)	2,899	1,775

Trade and bills receivables

As at January 1, 2021, trade and bills receivables amounting to RMB23,642,000 (restated).

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, which approximated the respective revenue recognition, at the end of the reporting period.

	2023 RMB'000	2022 RMB'000 (restated)
Within 2 months	40,199	22,757
Over 2 months but within 3 months	11,143	1,546
Over 3 months but within 6 months	3,898	15,304
	55,240	39,607

As at December 31, 2023, total bills receivables are amounting to RMB230,000 (2022: RMB6,208,000) with a maturity period of less than one year held by the Group.

As at December 31, 2023, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB9,051,000 (2022: RMB20,169,000 (restated)) which are past due as at the reporting date. Out of the past due balances, nil (2022: nil) has been past due 90 days or more and is not considered as in default.

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

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26. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS (continued)**Prepayments, other receivables and deposits**

Notes:

- (a) Prepayments for purchase of raw materials mainly comprised of prepayments for packaging materials.
- (b) The amount mainly comprised of value added tax deductible to be certified.
- (c) Other receivables net of allowance represent 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 RMB1,331,000 (2022: RMB4,332,000) on other receivables in the profit or loss.

- (d) Other prepayments represent prepaid logistic fee to logistics companies to maintain a long term cooperation relationship and enjoy preferential price offered by the suppliers.
- (e) The amount represents i) rental and utility deposits due after one year and ii) 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 42(b).

27. INVENTORIES

	2023 RMB'000	2022 RMB'000 (restated)
Raw materials and packing materials	112,775	80,228
Work-in-progress	4,527	353
Finished goods	55,477	33,965
	172,779	114,546

28. LOAN RECEIVABLES

	2023 RMB'000	2022 RMB'000 (restated)
Fixed-rate loan receivables	190,694	180,316
Less: allowance for ECL	(38,283)	(9,970)
	152,411	170,346
Analysed as		
Current	151,622	143,125
Non-current	789	27,221
	152,411	170,346

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28. LOAN RECEIVABLES (continued)

The effective interest rate of the loan receivables is ranged from 0.0% to 18.0% (2022: 0.0% to 18.0%) per annum.

As at December 31, 2023, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB54,786,000 (2022: 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, 2023, the carrying amount of loan receivables amounting to RMB29,512,000 (2022: RMB29,512,000) are secured by collaterals such as land, retail stores, manufacturing plant and residential building (2022: 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, 2023 is accumulated impairment losses of RMB38,283,000 (2022: RMB9,970,000 (restated)).

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

	2023 RMB'000	2022 RMB'000 (restated)
Fixed-rate loan receivables		
Within one year	189,905	151,316
In more than one year but not more than two years	789	29,000
	190,694	180,316

Details of impairment assessment of loan receivables are set out in note 42(b).

29. AMOUNTS DUE FROM ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/RELATED PARTIES**(a) Amounts due from associates**

	2023 RMB'000	2022 RMB'000
Trade receivables	485	569
Prepayment for purchase of goods	37,652	38,310
Distribution deposit	8,000	10,000
	46,137	48,879

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.

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29. AMOUNTS DUE FROM ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/RELATED PARTIES (continued)**(a) 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.

	2023 RMB'000	2022 RMB'000
Within 2 months	381	241
Over 2 months but within 3 months	104	202
Over 3 months but within 6 months	—	126
	485	569

Details of impairment assessment of amounts due from associates are set out in note 42(b).

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

	2023 RMB'000	2022 RMB'000 (restated)
Trade receivables	21,905	16,306
Less: allowance for ECL	(15,085)	(13,440)
Total trade receivables, net	6,820	2,866
Other receivables, net of allowance	89	—
Amounts due from non-controlling shareholders of subsidiaries, net	6,909	2,866

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

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.

	2023 RMB'000	2022 RMB'000 (restated)
Within 2 months	6,820	10
Over 2 months but within 3 months	—	2,491
Over 3 months but within 6 months	—	365
	6,820	2,866

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29. AMOUNTS DUE FROM ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/RELATED PARTIES (continued)**(c) Amounts due from a joint venture**

The amounts represent advance of RMB60,000,000 and purchase prepayment for raw materials of RMB119,273,000 at December 31, 2022. During the year ended December 31, 2022, an impairment loss under ECL model of RMB1,123,000 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.

(d) Amounts due from related parties

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

	2023 RMB'000	2022 RMB'000
Trade receivables	9	16
Other receivables	36	—
	45	16

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.

	2023 RMB'000	2022 RMB'000
Within 2 months	9	16

Details of impairment assessment of amounts due from non-controlling shareholders of subsidiaries, a joint venture and related parties are set out in note 42(b).

30. PLEDGED/RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

As at December 31, 2023, the restricted bank deposit of RMB1,052,000 was frozen by court on September 20, 2023 for a dispute case of labor relation. The remaining balance of restricted bank deposit of RMB2,098,000 was frozen by court on March 2, 2023 for a dispute case of business contract. The balance carries interest at 1.55% per annum.

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.

Bank balances of RMB290,045,000 (2022: RMB320,215,000 (restated)) carry interest at floating interest rates per annum as follows:

	Bank balances
At December 31, 2023	0.0001%–1.73%
At December 31, 2022 (restated)	0.0001%–1.80%

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30. PLEDGED/RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS*(continued)*

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

	2023 RMB'000	2022 RMB'000 (restated)
RMB	291,154	319,280
Hong Kong Dollars ("HK\$")	1,404	709
US Dollars ("US\$")	678	411
	293,236	320,400

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 42(b).

31. TRADE, BILLS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000 (restated)
Trade payables	138,677	162,595
Bills payables	32,000	6,080
Total trade and bills payables	170,677	168,675
Transportation fee payables	20,303	21,556
Payroll and welfare payables	32,504	36,433
Accrued expenses	23,312	28,028
Other payables	8,049	4,544
Other tax payables	7,217	17,709
	262,062	276,945

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31. 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 and bills payables by age, presented based on the invoice date at the end of each reporting period:

	2023 RMB'000	2022 RMB'000 (restated)
Within 3 months	166,206	156,332
Over 3 months but within 6 months	651	5,593
Over 6 months but within 1 year	2,326	6,342
Over 1 year	1,494	408
	170,677	168,675

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:

	2023 RMB'000	2022 RMB'000
Within 3 months	2,000	6,080
Over 6 months but within 1 year	30,000	—
	32,000	6,080

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32. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000 (restated)
Sales of biscuit and other products	89,890	100,070
Hotel services	374	—
	90,264	100,070

As at January 1, 2022, contract liabilities amount to RMB62,499,000 (restated).

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

	2023 RMB'000	2022 RMB'000 (restated)
Revenue recognised that was included in the contract liability balance at the beginning of the year	97,527	62,355

A contract liability represents the Group's obligation to sell biscuit and other products or render hotel services 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.

The Group generally requires advance payment from majority of the customers before the delivery of goods and rendering of hotel services. When the Group receives an advance from customer before the goods delivered or hotel services rendered, 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 decrease (2022: increase) in contract liabilities in the current year was mainly due to the fact that the Spring Festival in 2024 is later than that in 2023, as a result of that, less sales orders were received from customers close to the year end of 2023 while the biscuit and other products were delivered to the distributors subsequently.

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33. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000 (restated)
Secured	—	5,500
Unsecured	696,160	597,714
	696,160	603,214
The carrying amounts of the above bank borrowings are repayable*:		
Within one year	503,248	424,524
Within a period of more than one year but not exceeding two years	130,778	10,738
Within a period of more than two years but not exceeding five years	56,095	57,714
Within a period of more than five years	6,039	24,238
	696,160	517,214
The carrying amount of above borrowings that are repayable on demand due to breach of loan covenant (shown under current liabilities)	—	86,000
	696,160	603,214
Less: amount due within one year shown under current liabilities	(503,248)	(510,524)
Amounts shown under non-current liabilities	192,912	92,690

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

The carrying amount details of assets that have been pledged as collateral to secure bank borrowings are as follow:

	2023 RMB'000	2022 RMB'000 (restated)
Property — buildings	—	1,772
Right-of-use assets	—	385
	—	2,157

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33. BANK BORROWINGS *(continued)*

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

	2023 RMB'000	2022 RMB'000 (restated)
Fixed-rate bank borrowings	331,390	359,000
Variable-rate bank borrowings	364,770	244,214
	696,160	603,214

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

	2023	2022
Effective interest rate:		
Fixed-rate bank borrowings	3.15% to 3.70%	3.00% to 3.80%
Variable-rate bank borrowings	3.25% to 4.90%	3.45% to 4.55%

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. As such, bank loans at December 31, 2022 of RMB86,000,000 with original repayment terms over one year are classified as current liabilities. Subsequent to the year ended December 31, 2022, the lender did not exercise the right of demand of immediate repayment of these bank borrowings.

As at December 31, 2023, the group entity meet all of financial covenants.

34. OTHER BORROWING

The Group has entered into a financial arrangement with a third party. Under the arrangement, the Group received RMB3,000,000 from the third party with effective interest rate of 13.35%. The principal is unsecured. As at December 31, 2023, the principal value of RMB934,000 (2022: nil) is repayable within one year and therefore classified as current, the remaining principal value of RMB1,640,000 (2022: nil) is repayable more than one year and therefore classified as non-current.

Taking into consideration of the nature and substance of the above arrangement, the Group presents payable to the third party under this arrangement as "other borrowing" in the consolidated statement of financial position.

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For the year ended December 31, 2023

35. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/A RELATED PARTY/ASSOCIATES/A DIRECTOR/A JOINT VENTURE**(a) Amount due to a non-controlling shareholder of a subsidiary**

The amount represents other payable of RMB9,000 (2022: RMB6,000 (restated)) for operating expenses paid by a non-controlling shareholder of a subsidiary on behalf of the Group. The amount is unsecured, non-interest bearing and repayable on demand.

(b) Amounts due to a related party

The amounts represent advance of RMB31,000 (2022: nil) and other payable of RMB32,000 (2022: RMB18,000) for employee benefits expenses paid by a related party on behalf of the Group. The amounts are unsecured, non-interest bearing and repayable on demand.

(c) Amounts due to associates

The amounts are unsecured, non-interest bearing which represent trade payables for purchase from associates.

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

	2023 RMB'000	2022 RMB'000
Within 3 months	127	10

(d) Amount due to a director

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

(e) Amounts due to a joint venture

The amounts are unsecured, non-interest bearing which represent the trade payables for purchase of goods from the joint venture.

The credit period for the joint venture is 30 days from the invoice date. The following is an analysis of trade payables to a joint venture by age, presented based on the invoice date at the end of each reporting period:

	2023 RMB'000	2022 RMB'000 (restated)
Within 3 months	—	4,734

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36. DEFERRED INCOME

Amounts credited to profit or loss during the year:

	2023 RMB'000	2022 RMB'000 (restated)
Incentive subsidies (note a)	9,965	5,232
Released from asset-related government subsidies (note b)	2,455	5,077
	12,420	10,309

The movement of deferred income is as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	46,218	51,115
Receipts of subsidies related to development expenditures, property, plant and equipment and right-of-use assets (note b)	3,154	180
Released to profit or loss during the year (note b)	(2,455)	(5,077)
At end of year	46,917	46,218
Analysed for reporting purpose:		
Current liabilities	2,071	1,929
Non-current liabilities	44,846	44,289
	46,917	46,218

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.
- (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 since they are ready to use.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

37. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	3,599	3,475
Within a period of more than one year but not exceeding two years	3,599	3,599
Within a period of more than two years but not exceeding five years	11,558	10,523
Within a period of more than five years	32,672	36,271
	51,428	53,868
Less: amount due for settlement with 12 months shown under current liabilities	(3,599)	(3,475)
Amount due for settlement after 12 months shown under non-current liabilities	47,829	50,393

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 4.89% (2022: 4.78%).

38. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000 (restated)
Deferred tax assets	4,276	2,711
Deferred tax liabilities	(8,410)	(8,664)
	(4,134)	(5,953)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

38. 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 (restated)	Undistributed profit of subsidiaries RMB'000	Other RMB'000	Total RMB'000 (restated)
At January 1, 2022 (restated)	1,845	(7,042)	(3,781)	—	(8,978)
Credit to profit or loss (restated)	866	1,709	450	—	3,025
At December 31, 2022 (restated)	2,711	(5,333)	(3,331)	—	(5,953)
Credit (charge) to profit or loss	754	1,709	(1,455)	811	1,819
At December 31, 2023	3,465	(3,624)	(4,786)	811	(4,134)

As at December 31, 2023, the Group has unrecognised deferred tax liability in relation to the PRC withholding EIT on undistributed profits in certain of its PRC subsidiaries of RMB777,202,000 (2022: RMB647,897,000), 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

38. DEFERRED TAX ASSETS/LIABILITIES (continued)

At December 31, 2023, the Group has unused tax losses of RMB114,479,000 (2022: RMB95,618,000 (restated)) 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 RMB94,742,000 (2022: RMB62,683,000 (restated)) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

	2023 RMB'000	2022 RMB'000 (restated)
2024	15,676	15,676
2025	12,813	9,938
2026	18,580	15,642
2027	21,602	21,427
2028	26,071	—
	94,742	62,683

At December 31, 2023, the Group has deductible temporary differences of RMB174,393,000 (2022: RMB110,438,000 (restated)). A deferred tax asset has been recognised in respect of approximately RMB28,501,000 (2022: RMB18,074,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining approximately RMB145,892,000 (2022: RMB92,364,000 (restated)) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

39. 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, 2022, December 31, 2022 and December 31, 2023		
– Ordinary shares of HK\$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2022, December 31, 2022 and December 31, 2023		
– Ordinary shares of HK\$0.01 each	415,000,000	4,150,000
		At December 31, 2023 and 2022 RMB'000
Presented in the consolidated financial statements		3,285

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

40. ACQUISITION OF SUBSIDIARIES**For the year ended December 31, 2023****(a) Acquisition of Fengjia**

On August 28, 2023, the Group completed the acquisition of the remaining 49% equity interest in Fengjia. Fengjia is principally engaged in the sales and distribution of flour products and was acquired with the objective of strengthening upstream integration of raw material and expand the Group's relevant business. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	RMB'000
Cash	9,800
Interest in the joint venture before acquisition	14,010
Amounts due from (to) a joint venture:	
– Loan to the joint venture	159,190
– Amounts due from the joint venture	163,422
– Amounts due to the joint venture	(14,129)
	332,293

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	92,157
Right-of-use assets	19,600
Intangible assets	71,545
Inventories	84,552
Trade and other receivables	32,930
Cash and cash equivalents	7,623
Trade and other payables	(2,424)
Contract liabilities	(438)
	305,545

The receivables acquired (which principally comprised trade and other receivables) with a fair value of RMB32,930,000 at the date of acquisition had gross contractual amounts of RMB34,063,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB1,133,000.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

40. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2023 (continued)

(a) Acquisition of Fengjia (continued)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	332,293
Less: recognised amount of net assets acquired	(305,545)
Goodwill arising on acquisition	26,748

Goodwill arose on the acquisition of Fengjia because the acquisition included the strategic synergy of strengthening the market coverage of flour products 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 inflow on acquisition of Fengjia

	RMB'000
Cash consideration paid	9,800
Plus: cash and cash equivalent balances acquired	(7,623)
	2,177

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB14,537,000 attributable to the additional business generated by Fengjia. Revenue for the year includes RMB81,160,000 generated from Fengjia.

Had the acquisition of Fengjia been completed on January 1, 2023, revenue for the year of the Group from continuing operations would have been RMB1,810,042,000, and profit for the year from continuing operations would have been RMB65,993,000. 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, 2023, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Fengjia 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

40. ACQUISITION OF SUBSIDIARIES (continued)**For the year ended December 31, 2023** (continued)**(b) Acquisition of Guangdong Kanglan Holiday Hotel* 廣東康蘭假日酒店有限公司 (“Kanglan”)**

On January 16, 2023, the Group entered into an equity transfer agreement with Kailan Flour. Pursuant to the equity transfer agreement, the Group agreed to purchase 100% equity interest in Guangdong Kanglan Food Co., Ltd* 廣東康蘭食品有限公司, a shell company with the former name of Kanglan, for a total cash consideration of RMB1. The registration of the change of shareholder of Guangdong Kanglan Food Co., Ltd was completed on January 17, 2023. Then the Group purchase a hotel property as an asset acquisition through Guangdong Kanglan Food Co., Ltd.

(c) Acquisition of Guangzhou Jiakun Supply Chain Co., Ltd 廣州嘉坤供應鏈有限公司 (“Jiakun”)

On November 8, 2022, the Group entered into an equity transfer agreement with a third party. Pursuant to the equity transfer agreement, the Group agreed to purchase 100% equity interest in Jinxiang Elegance E-commerce Co., Ltd* 金鄉縣優雅電子商務有限公司 (“Elegance”), the former name of Jiakun, for a total cash consideration of RMB133,000, including deposit of RMB100,000 for the online shop. The remaining RMB33,000 was identified as intangible asset for the e-commerce business. The registration of the change of shareholder of Elegance was completed on January 4, 2023. As at December 31, 2023, the consideration has been paid, and the company has not run business yet.

* English name for identification purpose only

For the year ended December 31, 2022

Prior to the acquisition of Kaiping Jiarun during the year ended December 31, 2022, 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.

* English name for identification purpose only

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

40. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2022 (continued)

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
Cash and cash equivalents	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.

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

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40. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended December 31, 2022 *(continued)*

Impact of acquisition on the results of the Group

Included in the profit for the year ended December 31, 2022 was loss of RMB849,000 attributable to the additional business generated by Kaiping Jiarun. Revenue for the year ended December 31, 2022 includes RMB3,194,000 generated from Kaiping Jiarun.

Had the acquisition of Kaiping Jiarun been completed on January 1, 2022, revenue for the year ended December 31, 2022 of the Group from continuing operations would have been RMB1,684,069,000, and profit for the year ended December 31, 2022 from continuing operations 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 year ended December 31, 2022, 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.

41. 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 and other borrowing disclosed in notes 33 and 34, net of cash and cash equivalents 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.

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42. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	2023 RMB'000	2022 RMB'000 (restated)
Financial assets		
Financial assets at amortised cost	558,840	792,026
Financial asset mandatorily measured at FVTPL	93,666	107,131
Financial liabilities		
Amortised cost	930,466	842,190

(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 related parties, loans to a joint venture and non-controlling shareholders of subsidiaries, pledged/restricted bank deposits, cash and cash equivalents, trade, bills and other payables, bank borrowings, other borrowing, amounts due to a non-controlling shareholder of subsidiary, a related party, associates, a director and a joint venture 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.

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	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
The Group				
US\$	—	—	678	411
HK\$	—	—	1,404	709
Inter-group balances				
HK\$	763,460	681,811	763,460	681,811

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Market risk** (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 33), fixed-rate other borrowing (note 34), fixed-rate loan receivables (note 28), fixed-rate loans to non-controlling shareholders of subsidiaries (note 24b), fixed-rate loan to a joint venture (note 24a) and lease liabilities (note 37). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 30), pledged/restricted bank deposits (note 30) and variable-rate bank borrowings (note 33). 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:

	2023 RMB'000	2022 RMB'000 (restated)
Other income		
Financial assets at amortised cost	18,974	29,886

Interest expense on financial liabilities not measured at FVTPL:

	2023 RMB'000	2022 RMB'000 (restated)
Interest expense		
Financial liabilities at amortised cost	26,652	26,982

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk *(continued)*

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, 2023 would decrease/increase by approximately RMB59,000 (2022: increase/decrease by approximately RMB67,000 (restated)). 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 42(c).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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 related parties, loans to a joint venture and non-controlling shareholders of subsidiaries, 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 or service. 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 respect to these credit sales, the Group has concentration of credit risk as 29% (2022: 28% (restated)) of the Group's total trade receivables as at December 31, 2023, 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 RMB1,414,000 (2022: RMB3,878,000 (restated)) was recognised during the year ended December 31, 2023. Details of the quantitative disclosures are set out below in this note.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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 and non-controlling shareholders of subsidiaries

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 and non-controlling shareholders of subsidiaries. The Group performs impairment assessment under ECL model on loan receivables and loans to a joint venture and non-controlling shareholders of subsidiaries 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 and non-controlling shareholders of subsidiaries 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 have 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 and non-controlling shareholders of subsidiaries upon the due date. Impairment of RMB40,748,000 (2022: RMB8,794,000 (restated)) on loan receivables and loans to a joint venture and non-controlling shareholders of subsidiaries was recognised during the year ended December 31, 2023. 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, 2023, the Group provided an impairment loss on other receivables of RMB1,331,000 (2022: RMB4,332,000). Details of the quantitative disclosures are set out below in this note.

Amounts due from non-controlling shareholders of 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, 2023, the Group provided an impairment loss on amounts due from non-controlling shareholders of subsidiaries of RMB1,645,000 (2022: RMB3,556,000 (restated)). Details of the quantitative disclosures are set out below in this note.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

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, 2023, the Group provided an impairment loss on amounts due from a joint venture of nil (2022: RMB1,123,000). Details of the quantitative disclosures are set out below in this note.

Amounts due from associates and related parties

The credit risks on amounts due from associates and related parties 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, 2023

42. 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	2023 Gross carrying amount RMB'000	2022 Gross carrying amount RMB'000 (restated)
Financial assets at amortised cost					
Trade receivables	26	Low risk (note 2)	Lifetime ECL (provision matrix)	50,275	16,442
		Watch list (note 2)	Lifetime ECL (provision matrix)	4,793	17,131
		Loss (note 2)	Lifetime ECL (credit-impaired)	7,826	6,296
Bills receivables	26	Low risk (note 1)	12m ECL	230	6,208
Other receivables	26	Low risk (note 3)	12m ECL	35,676	14,170
		Watch list (note 3)	12m ECL	—	4,483
		Loss (note 3)	Lifetime ECL (credit-impaired)	15,076	13,575
Loan receivables	28	Watch list (note 4)	12m ECL	32,889	31,000
		Doubtful (note 4)	Lifetime ECL (not credit-impaired)	103,019	116,776
		Loss (note 4)	Lifetime ECL (credit-impaired)	54,786	32,540
Amounts due from associates	29a	Low risk (note 1)	12m ECL	8,485	10,569
Amounts due from non-controlling shareholders of subsidiaries	29b	Low risk (note 1)	12m ECL	89	—
		Watch list (note 6)	12m ECL	7,284	3,071
		Loss (note 6)	Lifetime ECL (credit-impaired)	14,651	13,265
Amount due from a joint venture	29c	Watch list (note 7)	12m ECL	—	60,000
Amounts due from related parties	29d	Low risk (note 1)	12m ECL	45	16
Loan to a joint venture	24a	Watch list (note 8)	12m ECL	—	164,589
Loans to non-controlling shareholders of subsidiaries	24b	Watch list (note 5)	12m ECL	5,300	5,300
		Loss (note 5)	Lifetime ECL (credit-impaired)	20,594	20,594
Pledged/restricted bank deposits	30	Low risk	12m ECL	3,150	99
Bank balances	30	Low risk	12m ECL	290,045	320,215
				654,213	856,339

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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.

	2023	2022
	Not past due/ no fixed repayment terms	Not past due/ no fixed repayment terms
	RMB'000	RMB'000
Bills receivables	230	6,208
Amounts due from associates	8,485	10,569
Amount due from a non-controlling shareholder of a subsidiary	89	—
Amounts due from related parties	45	16

- (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 RMB7,826,000 (2022: RMB6,296,000 (restated)) as at December 31, 2023 are assessed individually. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of RMB7,826,000 (2022: RMB6,296,000 (restated)) was provided by the Group as at December 31, 2023. 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, 2023 and 2022 within lifetime ECL (not credit-impaired).

Gross carrying amount

Internal credit rating	2023		2022	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000 (restated)
Low risk	0.02%	50,275	0.02%	16,442
Watch list	1.00%	4,793	1.00%	17,131
		55,068		33,573

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk and impairment assessment** (continued)

Notes: (continued)

(2) (continued)

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.

As at December 31, 2023, the Group provided approximately RMB58,000 (2022: RMB174,000 (restated)) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB7,826,000 (2022: RMB6,296,000 (restated)) 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)	Lifetime ECL — individual assessment (credit- impaired)	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2022 (restated)	27	4,052	4,079
Changes due to financial instruments recognised as at January 1, 2022: (restated)			
– Transfer to credit-impaired	(5)	5	—
– Impairment losses recognised	—	1,060	1,060
– Impairment losses reversed	(22)	(358)	(380)
– Write-offs	—	(1,487)	(1,487)
New financial assets originated (restated)	174	3,024	3,198
As at December 31, 2022 (restated)	174	6,296	6,470
Changes due to financial instruments recognised as at January 1, 2023:			
– Transfer to credit-impaired	(5)	5	—
– Impairment losses recognised	—	1,743	1,743
– Impairment losses reversed	(169)	(4,892)	(5,061)
– Write-offs	—	—	—
New financial assets originated	58	4,674	4,732
As at December 31, 2023	58	7,826	7,884

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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:

	2023		2022	
	(Decrease) increase in lifetime ECL Not credit- impaired RMB'000	Credit impaired RMB'000	(Decrease) increase in lifetime ECL Not credit- impaired RMB'000 (restated)	Credit impaired RMB'000 (restated)
Thirty four trade debtors with a gross carrying amount of RMB1,748,000 (2022: RMB1,065,000 (restated)) defaulted and transferred to credit-impaired	(5)	1,748	(5)	1,065
Settlement in full of trade receivables gross carrying amount of RMB36,716,000 (2022: RMB14,552,000 (restated))	(169)	(4,892)	(22)	(358)
New trade receivables with gross carrying amount of RMB59,741,000 (2022: RMB36,598,000 (restated))	58	4,674	174	3,024

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% (2022: nil to 100%) of credit loss rate as at the December 31, 2023 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, 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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, 2022 (restated)	—	—	9,413	9,413
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 (restated)	—	170	13,575	13,745
Changes due to financial instruments recognised as at January 1, 2023:				
– Impairment losses recognised	—	—	1,500	1,500
– Impairment losses reversed	—	(170)	—	(170)
New financial assets originated	—	—	1	1
As at December 31, 2023	—	—	15,076	15,076

Changes in the loss allowance for other receivables are mainly due to:

	2023 (Decrease) increase in lifetime ECL		
	12m ECL RMB'000	Not credit- impaired RMB'000	Credit- impaired RMB'000
Settlement in other receivables	—	(170)	—
Transfer to lifetime ECL	—	—	1,500
New other receivables	—	—	1

	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	—

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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 2.04% to 100% (2022: 2.18% 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, 2022 (restated)	6,214	—	2,000	8,214
Changes due to financial instruments recognised as at January 1, 2022:				
– Transfer to lifetime ECL	(2,347)	2,347	—	—
– Impairment losses reversed (restated)	(2,089)	—	—	(2,089)
New financial assets originated	124	2,693	1,028	3,845
As at December 31, 2022 (restated)	1,902	5,040	3,028	9,970
Changes due to financial instruments recognised as at January 1, 2023:				
– Impairment losses reversed	(397)	—	—	(397)
– Impairment losses recognised	—	5,129	22,246	27,375
New financial assets originated	117	1,218	—	1,335
As at December 31, 2023	1,622	11,387	25,274	38,283

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk and impairment assessment** (continued)

Notes: (continued)

(4) (continued)

Changes in the loss allowance for loan receivables are mainly due to:

	2023		
	12m ECL RMB'000	Increase in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
(Decrease) increase in credit loss rate	(274)	5,129	—
Settlement in loan receivables	(123)	—	—
Transfer to lifetime ECL	—	—	22,246
New loan receivables	117	1,218	—

	2022		
	12m ECL RMB'000 (restated)	Increase in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
Decrease in credit loss rate	(1,650)	—	—
Settlement in loan receivables	(439)	—	—
Decrease in credit rating of loan receivables	(2,347)	2,347	—
New loan receivables	124	2,693	1,028

- (5) The Group assessed the loss allowance for loans to non-controlling shareholders of subsidiaries on 12m ECL for loans to non-controlling shareholders of subsidiaries 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 the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the loans to non-controlling shareholders of subsidiaries. The Group has applied 6.37% to 100% (2022: 6.67% to 100% (restated)) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk and impairment assessment** (continued)

Notes: (continued)

(5) (continued)

The following table shows reconciliation of loss allowances that has been recognised for loans to non-controlling shareholders of subsidiaries:

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2022 (restated)	1,093	8,196	—	9,289
Changes due to financial instruments recognised as at January 1, 2022:				
– Transfer to credit-impaired (restated)	—	(8,196)	8,196	—
– Impairment losses reversed (restated)	(740)	—	—	(740)
– Impairment losses recognised (restated)	—	—	2,790	2,790
As at December 31, 2022 (restated)	353	—	10,986	11,339
Changes due to financial instruments recognised as at January 1, 2023:				
– Impairment losses reversed	(16)	—	—	(16)
– Impairment losses recognised	—	—	7,692	7,692
As at December 31, 2023	337	—	18,678	19,015

Changes in the loss allowance for loans to non-controlling shareholders of subsidiaries are mainly due to:

	12m ECL RMB'000	2023 Increase in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
(Decrease) increase in credit loss rate	(16)	—	7,692

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk and impairment assessment** (continued)

Notes: (continued)

(5) (continued)

	2022 (Decrease) increase in lifetime ECL		
	12m ECL RMB'000 (restated)	Not credit- impaired RMB'000 (restated)	Credit- impaired RMB'000 (restated)
Increase in credit rating of loans to non-controlling shareholders of subsidiaries	(740)	—	—
Decrease in credit rating of loans to non-controlling shareholders of subsidiaries	—	(8,196)	10,986

- (6) The Group assessed the loss allowance for amounts due from non-controlling shareholders of subsidiaries on lifetime ECL for internal credit rating of watch list or 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 non-controlling shareholders of subsidiaries. The Group has applied 6.37% to 100% (2022: 6.67% to 100% (restated)) 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 non-controlling shareholders of subsidiaries:

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2022 (restated)	9,914	—	9,914
Changes due to financial instruments recognised as at January 1, 2022:			
– Transfer to credit-impaired (restated)	(6,418)	6,418	—
– Impairment losses reversed (restated)	(3,496)	—	(3,496)
– Impairment losses recognised (restated)	—	5,580	5,580
New financial assets originated (restated)	205	1,267	1,472
As at December 31, 2022 (restated)	205	13,265	13,470
Changes due to financial instruments recognised as at January 1, 2023:			
– Impairment losses reversed	(205)	—	(205)
New financial assets originated	464	1,386	1,850
As at December 31, 2023	464	14,651	15,115

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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 amounts due from non-controlling shareholders of subsidiaries are mainly due to:

	2023		
	12m ECL RMB'000	Increase in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
Settlement in amounts due from non-controlling shareholders of subsidiaries	—	(205)	—
New amounts due from non-controlling shareholders of subsidiaries	—	(464)	1,386
	2022		
	12m ECL RMB'000 (restated)	(Decrease) increase in lifetime ECL Not credit- impaired RMB'000 (restated)	Credit- impaired RMB'000 (restated)
(Decrease) increase in credit rating of amounts due from non-controlling shareholders of subsidiaries	—	(6,418)	11,998
Settlement in amounts due from non-controlling shareholders of subsidiaries	—	(3,496)	—
New amounts due from non-controlling shareholders of subsidiaries	—	205	1,267

- (7) The Group assessed the loss allowance for amount due from a joint venture on 12m ECL for amount due from a joint venture without significant increase in credit risk (watch list in internal credit rating). 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% of credit loss rate in 2022 and concluded that adequate impairment loss is made for irrecoverable amount.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk and impairment assessment** (continued)

Notes: (continued)

(7) (continued)

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, 2022	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 due to financial instruments recognised as at January 1, 2023:		
– Effective settlement due to acquisition (note 40)	(3,679)	—
As at December 31, 2023	—	—

Changes in the loss allowance for amount due from a joint venture are mainly due to:

	12m ECL RMB'000	2023 Increase in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
Effective settlement due to acquisition(note 40)	(3,679)	—	—

	12m ECL RMB'000	2022 Increase in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
Increase in credit loss rate	1,123	—	—

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For the year ended December 31, 2023

42. 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 loan to a joint venture on 12m ECL for loan to a joint venture without significant increase in credit risk (watch list in internal credit rating). 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 joint venture. The Group has applied 6.13% of credit loss rate in 2022 and concluded that adequate impairment loss was made for irrecoverable amount.

The following table shows reconciliation of loss allowances that has been recognised for loan to a joint venture:

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000
As at January 1, 2022	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 due to financial instruments recognised as at January 1, 2023:		
– Impairment loss recognised	4,759	—
– Effective settlement due to acquisition (note 40)	(10,399)	—
As at December 31, 2023	—	—

Changes in the loss allowance for loan to a joint venture are mainly due to:

	2023		
	12m ECL RMB'000	Decrease in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
Effective settlement due to acquisition(note 40)	(10,399)	—	—
Increase in credit loss rate	4,759	—	—
	2022		
	12m ECL RMB'000	Decrease in lifetime ECL Not credit- impaired RMB'000	Credit- impaired RMB'000
Settlement in loan to a joint venture	(652)	—	—
Increase in credit loss rate	5,640	—	—

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42. 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 cash and cash equivalents 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, 2023, the Group has available unutilised bank facilities of RMB80,000,000 (2022: RMB146,420,000 (restated)).

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.

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For the year ended December 31, 2023

42. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Liquidity risk** (continued)

Liquidity tables

	Weighted average interest rate %	Repayable on demand or within 3 months RMB'000	3-6 months RMB'000	6 months to 1 year RMB'000	1 to 5 years RMB'000	over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2023								
Trade, bills and other payables	-	231,533	-	-	-	-	231,533	231,533
Amount due to a non-controlling shareholder of a subsidiary	-	9	-	-	-	-	9	9
Amounts due to a related party	-	63	-	-	-	-	63	63
Amounts due to associates	-	127	-	-	-	-	127	127
Bank borrowings	3.66	225,337	83,162	209,569	196,477	6,177	720,722	696,160
Other borrowing	13.35	306	306	610	1,819	-	3,041	2,574
Lease liabilities	4.89	1,507	1,544	2,880	23,317	45,569	74,817	51,428
		458,882	85,012	213,059	221,613	51,746	1,030,312	981,894
At December 31, 2022								
Trade, bills and other payables (restated)	-	231,208	-	-	-	-	231,208	231,208
Amount due to a non-controlling shareholder of a subsidiary (restated)	-	6	-	-	-	-	6	6
Amount due to a related party (restated)	-	18	-	-	-	-	18	18
Amount due to an associate	-	10	-	-	-	-	10	10
Amount due to a director (restated)	-	3,000	-	-	-	-	3,000	3,000
Amounts due to a joint venture (restated)	-	4,734	-	-	-	-	4,734	4,734
Bank borrowings (restated)	3.81	433,471	7,065	79,015	78,743	25,648	623,942	603,214
Lease liabilities	4.78	1,487	1,502	2,988	22,499	48,812	77,288	53,868
		673,934	8,567	82,003	101,242	74,460	940,206	896,058

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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		Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
	December 31, 2023	December 31, 2022			
Financial asset at FVTPL - unlisted equity investment fund in the PRC	RMB93,666,000	RMB107,131,000	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 2023, the management adjusted the sensitivity rate to 3% of the net assets value for the purpose of performing the sensitivity analysis. A 3% (2022: 3%) increase in the net assets value, holding all other variables constant, would increase the fair value of the unlisted equity investment fund by approximately RMB2,810,000 (2022: RMB3,214,000).

There were no transfers amongst Level 1, 2 and 3 during both years.

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42. 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, 2022	104,168
Fair value change recognised in profit or loss	2,963
As at December 31, 2022	107,131
Fair value change recognised in profit or loss	(13,465)
As at December 31, 2023	93,666

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.

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43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	77,237	77,237
Amounts due from subsidiaries	102,056	125,510
	179,293	202,747
CURRENT ASSET		
Bank balances	23	24
CURRENT LIABILITY		
Accruals and other payables	4,522	3,695
NET CURRENT LIABILITY	(4,499)	(3,671)
NET ASSETS	174,794	199,076
CAPITAL AND RESERVES		
Share capital	3,285	3,285
Reserves	171,509	195,791
TOTAL EQUITY	174,794	199,076

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43. 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, 2022	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
Loss and total comprehensive expense for the year	—	—	(6,072)	(6,072)
Dividends recognised as distribution (note 15)	—	(18,210)	—	(18,210)
At December 31, 2023	3,285	161,420	10,089	174,794

44. 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 13 years, respectively.

Undiscounted lease payments receivable on leases are as follows:

	2023 RMB'000	2022 RMB'000 (restated)
Within one year	6,212	3,114
In the second year	6,226	3,067
In the third year	6,758	2,945
In the fourth year	6,775	3,650
In the fifth year	6,138	3,684
Over five years	15,756	15,217
	47,865	31,677

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45. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000 (restated)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	19,715	29,132
Capital expenditure in respect of the acquisition of an associate contracted for but not provided in the consolidated financial statements	1,250	—
Capital expenditure in respect of the capital injections to the unlisted equity investment fund but not provided in the consolidated financial statements (note)	34,500	34,500

Note: 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.

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46. RELATED PARTY DISCLOSURES

Related Party Transactions

	Relationship	2023 RMB'000	2022 RMB'000 (restated)
Sale of goods (note a)			
Guangdong Ruishiyue	Associate	1,892	1,917
Kaiping Jiarun	Associate (note c)	—	39
Fengjia	Joint venture (note b)	3	12
Zhongchen (note d)	Related party	188	14
Shenzhen Jianiushi Food Co. Limited* 深圳嘉牛士食品有限 公司 (“Jianiushi”)	Non-controlling shareholder of a subsidiary	20,457	4,025
Guangdong Jinpingguo Co. Limited* 廣東金蘋果 有限公司 (“Jinpingguo”)	Non-controlling shareholder of a subsidiary	—	489
		22,540	6,496
Purchase of goods (note a)			
Guandong Ruishiyue	Associate	30,338	28,540
Tianjianjun	Associate	904	154
Kaiping Jiarun	Associate (note c)	—	1,290
Fengjia	Joint venture (note b)	69,635	117,999
		100,877	147,983
Interest income (note e)			
Fengjia	Joint venture (note b)	4,717	7,447
Jianiushi	Non-controlling shareholder of a subsidiary	406	443
Jinpingguo	Non-controlling shareholder of a subsidiary	—	674
		5,123	8,564

* English name for identification purpose only

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46. 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) Fengjia has become a subsidiary of the Group since August 28, 2023. Details of the acquisition are set out in notes 23 and 40.
- (c) Kaiping Jiarun has become a subsidiary of the Group since October 20, 2022. Details of the acquisition are set out in note 40.
- (d) 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.
- (e) The amount represents the interest income on loans to a joint venture and loans to non-controlling shareholders of subsidiaries.

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 and 35, respectively.

Compensation of key management personnel

The remuneration of key management personnel including the directors' remuneration during the year were as follows:

	2023 RMB'000	2022 RMB'000
Short-term benefits	5,668	5,556
Post-employment benefits	22	39
	5,690	5,595

47. 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 RMB25,879,000 (2022: RMB23,353,000 (restated)) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2023.

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48. 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, 2023	2022 (restated)	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
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 Foods (Huaibei) Co. Limited* 思朗食品(淮北)有限公司 ("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
Dongguan Kantai Foods Co. Limited* 東莞錦泰食品有限公司	The PRC	Registered capital of HK\$108,130,000 and paid-up capital of HK\$108,130,000	85%	85%	Sale of biscuits

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48. 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,		Principal activities
			2023	2022 (restated)	
Indirect (continued)					
Hunan Jiashili Food Co. Limited* 湖南嘉士利食品有限公司	The PRC	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	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
Kaiping Jiarun	The PRC	Registered capital of RMB68,000,000 and paid-up capital of RMB21,000,000	100%	100%	Investment holding
Quancheng	The PRC	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	100%	100%	Manufacture and sale of soymilk
Guangdong Jiajian Agricultural Technology Co. Limited* 廣東嘉健農業科技有限公司 ("Jiajian")	The PRC	Registered capital of RMB20,000,000 and paid-up capital of RMB16,000,000	65%	65%	Trading of rice
Kangli	The PRC	Registered capital of RMB52,000,000 and paid-up capital of RMB52,000,000	100%	100%	Manufacture and sale of pasta
Liniushi	The PRC	Registered capital of RMB17,000,000 and paid-up capital of RMB17,000,000	51%	51%	Manufacture and sale of pasta
Guangzhou Lishi Catering Management Co. Limited* 廣州利士餐飲管理有限公司 ("Lishi") (established in 2023)	The PRC	Registered capital of RMB10,000,000 and paid-up capital of nil	80%	—	Investment holding

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48. 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,		Principal activities
			2023	2022 (restated)	
Indirect (continued)					
Jiakun (note 40)	The PRC	Registered capital of RMB10,000,000 and paid-up capital of nil	100%	—	Marketing business
Kanglan (note 40)	The PRC	Registered capital of RMB50,000,000 and paid-up capital of nil	100%	—	Provision of hotel service
Fengjia (acquired in 2023)	The PRC	Registered capital of RMB20,000,000 and paid-up capital of RMB20,000,000	100%	49%	Investment holding
Kailan Flour (acquired in 2023)	The PRC	Registered capital of RMB65,000,000 and paid-up capital of RMB65,000,000	100%	49%	Manufacture and sale of flour
Kailan Grain (acquired in 2023)	The PRC	Registered capital of RMB20,000,000 and paid-up capital of nil	100%	49%	Investment holding

(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 subsidiaries	Place of establishment and principal place of business	Proportion of ownership interests and voting right held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	2023	2022	2023	2022
				RMB'000	RMB'000 (restated)	RMB'000	RMB'000 (restated)
Silang	The PRC	15%	15%	(1,691)	(924)	12,729	14,420
Others	The PRC	15%-49%	15%-49%	(1,097)	(1,476)	23,905	24,602
				(2,788)	(2,400)	36,634	39,022

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)***(b) Details of non-wholly owned subsidiaries that have material non-controlling interests** *(continued)*

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.

Silang

	2023 RMB'000	2022 RMB'000
Current assets	7,458	15,504
Non-current assets	120,028	126,244
Current liabilities	13,196	15,273
Non-current liabilities	38,028	38,940
Equity attributable to owners of the Company	63,533	73,115
Non-controlling interests of Silang	12,729	14,420
Revenue and other income	43,614	108,770
Expense	(54,887)	(114,930)
Total comprehensive expense for the year	(11,273)	(6,160)
Total comprehensive expense for the year attributable to:		
Owners of Silang	(9,582)	(5,236)
Non-controlling interests of Silang	(1,691)	(924)
	(11,273)	(6,160)
Dividends paid to non-controlling interests of Silang	—	555
Net cash inflow (outflow) from operating activities	11	(1,887)
Net cash (outflow) inflow from investing activities	(72)	3,627
Net cash outflow from financing activities	(3,146)	(555)
Net cash (outflow) inflow	(3,207)	1,185

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49. 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 (restated) (note 33)	Other borrowing RMB'000 (note 34)	Lease liabilities RMB'000 (note 37)	Dividends payable RMB'000 (note 15)	Total RMB'000 (restated)
At January 1, 2022	527,138	—	87,121	—	614,259
Financing cash flows	49,094	—	(37,577)	(18,373)	(6,856)
New leases entered	—	—	191	—	191
Finance costs	26,982	—	4,133	—	31,115
Dividends	—	—	—	18,373	18,373
At December 31, 2022	603,214	—	53,868	—	657,082
Financing cash flows	66,483	2,385	(5,976)	(18,210)	44,682
New leases entered	—	—	1,035	—	1,035
Finance costs	26,463	189	2,501	—	29,153
Dividends	—	—	—	18,210	18,210
At December 31, 2023	696,160	2,574	51,428	—	750,162