



ANNUAL REPORT

GREATVIEW ASEPTIC PACKAGING
COMPANY LIMITED

Stock Code: 0468 (Incorporated in the Cayman Islands with limited liability)

2023

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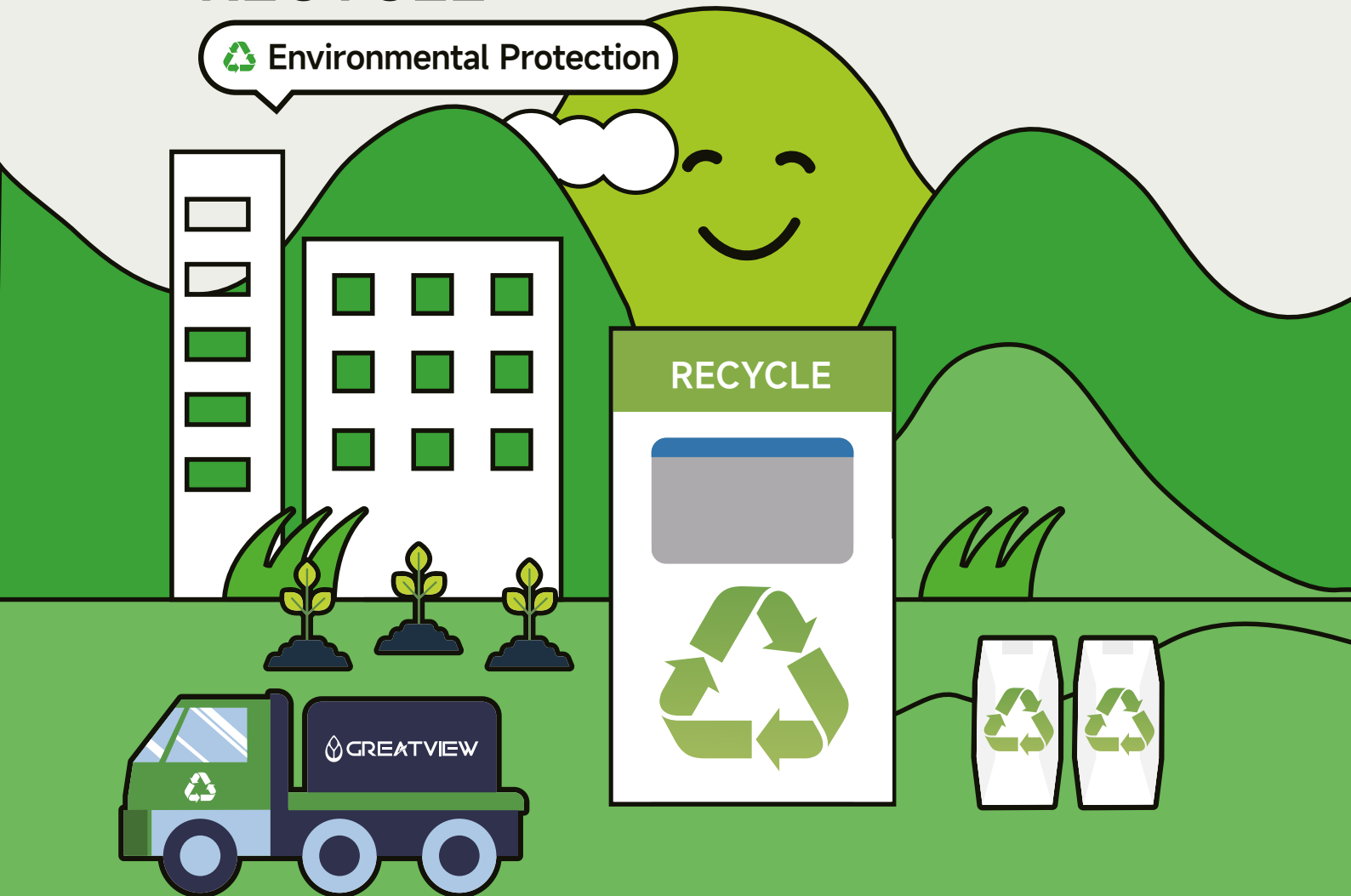
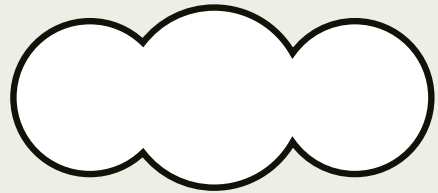
SMALL HANDS IN BIG HANDS HAPPY COLLECTION OF CARTONS



RECYCLE



Environmental Protection



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff (*Chief Executive Officer*)
Mr. CHANG Fuquan

Non-Executive Directors

Mr. HONG Gang (*Chairman*)
Mr. WANG Bangsheng
(appointed with effect from 30 November 2023)
Mr. PANG Yiu Kai
(resigned with effect from 22 September 2023)
Mr. SUN Yanjun (*alternate to Mr. PANG Yiu Kai*)
(resigned with effect from 22 September 2023)

Independent Non-Executive Directors

Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. GUO Kai (appointed with effect from 27 June 2023)
Mr. ZHU Jia (resigned with effect from 27 June 2023)

JOINT COMPANY SECRETARIES

Ms. QI Zhaohui
Mr. LEUNG Chi Kit

AUTHORISED REPRESENTATIVES

Mr. BI Hua, Jeff
Mr. LEUNG Chi Kit

AUDIT COMMITTEE

Mr. LUETH Allen Warren (*Chairman*)
Mr. BEHRENS Ernst Hermann
Mr. GUO Kai
(appointed with effect from 27 June 2023)
Mr. PANG Yiu Kai
(resigned with effect from 22 September 2023)
Mr. SUN Yanjun (*alternate to Mr. PANG Yiu Kai*)
(resigned with effect from 22 September 2023)
Mr. ZHU Jia (resigned with effect from 27 June 2023)

REMUNERATION COMMITTEE

Mr. LUETH Allen Warren (*Chairman*)
(*re-designated with effect from 27 June 2023*)
Mr. BI Hua, Jeff
Mr. BEHRENS Ernst Hermann
Mr. GUO Kai (appointed with effect from 27 June 2023)
Mr. ZHU Jia (resigned with effect from 27 June 2023)

NOMINATION COMMITTEE

Mr. HONG Gang (*Chairman*)
Mr. BEHRENS Ernst Hermann
Mr. GUO Kai (appointed with effect from 27 June 2023)
Mr. ZHU Jia (resigned with effect from 27 June 2023)

EXECUTIVE COMMITTEE

Mr. HONG Gang (*Chairman*)
Mr. BI Hua, Jeff
Mr. LUETH Allen Warren
Mr. BEHRENS Ernst Hermann
Mr. GUO Kai (appointed with effect from 27 June 2023)
Mr. ZHU Jia (resigned with effect from 27 June 2023)

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

OTHER PLACE OF BUSINESS IN HONG KONG

Unit 15, 36/F, China Merchants Tower
Shun Tak Centre
No. 168-200 Connaught Road Central
Central
Hong Kong

HEADQUARTER IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

A1-4/2F, No. 14 Jiuxianqiao Road
Chaoyang District
Beijing 100015
The PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

Iu, Lai & Li Solicitors
Tian Yuan Law Firm

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Commerzbank AG
China Construction Bank
Industrial and Commercial Bank of China
China Merchants Bank
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

COMPANY WEBSITE

www.greatviewpack.com



GREATVIEW

100%
FRESH
PINEAPPLE
JUICE



ORGANIC

Pineapple is
also a
fine apple.

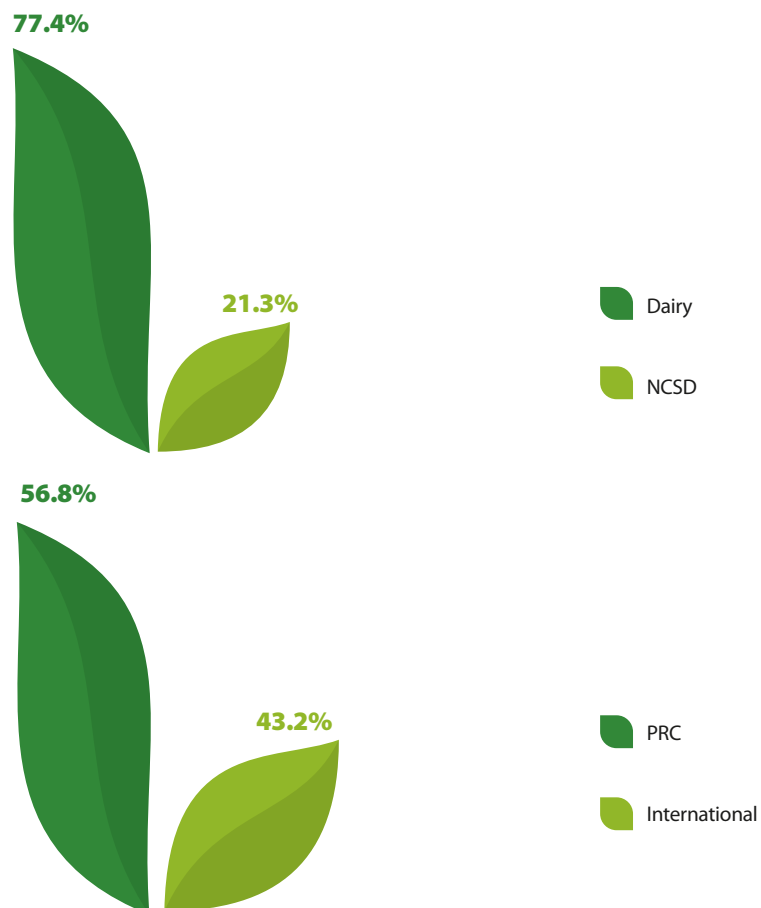
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FINANCIAL SUMMARY

For the year ended 31 December

	2023 RMB million	2022 RMB million	Percentage %
Revenue	3,816.7	3,937.0	-3.1
Gross profit	681.1	588.0	15.8
Net profit	244.2	182.4	33.9
Profit attributable to shareholders	244.2	182.4	33.9
Earnings per share — basic and diluted (RMB)	0.18	0.14	28.6
Proposed final dividend per share (HK\$)	0.06	–	–
Proposed special dividend per share (HK\$)	0.04	–	–

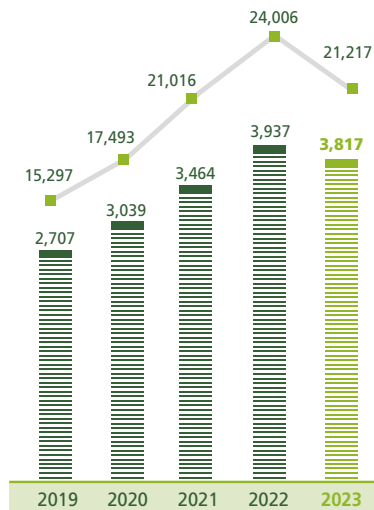
REVENUE ANALYSIS





FIVE YEARS FINANCIAL SUMMARY

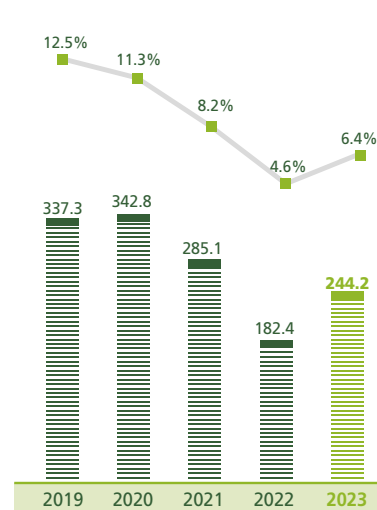
REVENUE TREND



Volume (in million packs)

Revenue (in RMB million)

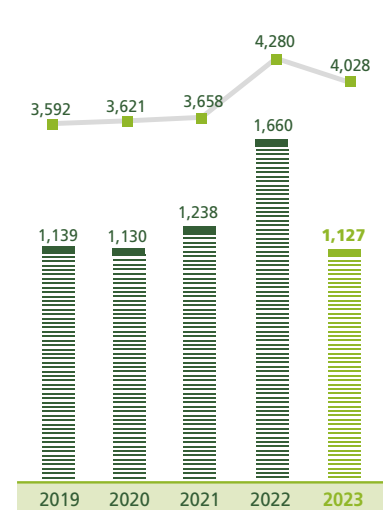
PROFIT TREND



% of Revenue

Net Profit (in RMB million)

ASSET AND LIABILITY TRENDS



Total Assets (in RMB million)

Total Liabilities (in RMB million)

	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	1,395,364	1,392,709	1,447,371	1,524,312	1,581,743
Current assets	2,633,004	2,886,944	2,211,109	2,097,081	2,010,630
Total assets	4,028,368	4,279,653	3,658,480	3,621,393	3,592,373
Liabilities					
Non-current liabilities	84,617	72,551	96,434	110,790	124,230
Current liabilities	1,042,256	1,587,178	1,142,012	1,018,848	1,014,973
Total liabilities	1,126,873	1,659,729	1,238,446	1,129,638	1,139,203
Total equity	2,901,495	2,619,924	2,420,034	2,491,755	2,453,170



CEO'S STATEMENT

In the journey of 2023, amidst the backdrop of a new era of global turbulence and change with insufficient economic growth momentum, Greatview has focused on high-quality development, adhering to our original mission of ensuring human food safety. We have also intertwined our innate commitment to “creating value for customers” with our keen crisis awareness, further solidifying our foundation for making steady progress in the future as we vigorously pursue our established objectives.

Looking back at 2023, a discernment of the “change” and “constancy” from a temporal and spatial perspective easily reveals that Greatview’s management idea for unlocking value has remained consistent. From our strategy of “centering around the main business with digital innovation as the driver” to continuously enhancing our service capabilities and coverage, we have realized stable, sustainable and high-quality growth. This has become a core force connecting Greatview with customers, shareholders and society, and thus continually generating value.

We uphold the principle of value-first to make steady progress in the future and build an “everlasting enterprise”. By focusing on creating value for customers and adhering to global operations, we have implemented diversified supply strategies, and built long-term, continuous and stable supply capabilities, so as to ensure supply continuity and future-oriented sustainable development. In 2023, the official production of our Italian factory provided strong support for our global supply chain, further highlighting our leading position and great strength in global supply. We boldly ascend to the forefront of digital technology, leveraging professional techniques and digital content to drive business growth.

We persist in innovation-driven approaches, igniting our innovation determination. Upholding the customer-first value orientation, and based on deep market insights and precise understanding of customer needs, we tailored the “Greatview Brick 180mL Ultra Slim” for international customers and empowered customers through “one-code-per-pack” to win more consumers. Our relentless pursuit of digitalisation has created an industry benchmark case for cooperation with leading enterprises. Meanwhile, it is gaining favor with customers in other industries, and motivating us to improve economies of scale for customers.

We stick to the concept of sharing, activating the “surging dynamics” of green development. Guided by our medium- to long-term carbon reduction target and 2050 carbon neutral target, we have integrated the concepts of environment, society and governance into the whole process of operation and management, actively fulfilling economic, environmental and social responsibilities. As one of the first pilot units to carry out performance evaluation of extended producer responsibility for beverage paper-based composite packaging, Greatview practiced the extended producer responsibility system through the Committee of Paper-based Beverage Composite Packaging Recycling in the industry self-discipline mode, and was rated as 5A enterprise by the China Quality Certification Center (“CQC”). Meanwhile, Greatview was awarded the titles of “Standard Innovation Award of the Eighth Renewable Resource Recycling Industry Conference” and “Meritorious Enterprise of the Eighth Renewable Resource Recycling Industry Conference” by the Alliance of Technological Innovation in Compulsory Resources Recycling Industry of Beijing.

Looking towards the future, we will continue to maintain the strategic determination of making steady progress in the future while sticking to our vision and mission. We aim to drive technological innovation and product development through digitalisation and low-carbon initiatives to enhance our core competitiveness. We will persist in optimising our internal management, stimulate the creativity and execution of the team, and strive to open up a new realm of practice for Greatview in the exploration of green packaging. Concurrently, we will continue to communicate and cooperate with all stakeholders in an open, transparent and responsible manner, joining hands with our customers, shareholders, and investors to march towards a brighter future.

BI Hua, Jeff

CEO and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Our Group (Greatview Aseptic Packaging Company Limited, our “Company” or “Greatview” and its subsidiaries) provides integrated packaging solutions, which include aseptic packaging materials, filling machines, spare parts, technical services, digital marketing and product traceability solutions to the liquid food industry. We are the leading supplier of aseptic packaging materials in the liquid food industry. Our aseptic packaging materials are branded under the trademark of “GREATVIEW”, which includes “Greatview Brick”, “Greatview Pillow”, “Greatview Crown”, “Greatview Octagon” and “Greatview Blank-Fed”. Our wholly-owned subsidiary, Qingdao Likang Food Packaging Technology Co., LTD.* (青島利康食品包裝科技有限公司), sells its aseptic packaging materials under the trademark of “Century Pack”, including “Century Pack” Aseptic Brick, “Century Pack” Aseptic Pillow, etc. Our aseptic packaging materials are fully compatible with industry-standard roll-fed and blank-fed aseptic carton filling machines, which has benefited many dairy and non-carbonated soft drink (“NCSD”) producers in countries around the world.

The global economic recovery in 2023 is proving to be complex and prolonged. The world economy is still facing multiple shocks, with persistently high core inflation and rising interest rates in major developed economies; risks such as tightening monetary policies, frequent geopolitical conflicts, and fluctuations in energy and commodity prices are expected to have a lasting and profound impact on the future development of the global economy. In the World Economic Outlook, the International Monetary Fund (IMF) estimates that the global economy will grow by approximately 3.0% in 2023, a decrease from 3.5% in 2022 and significantly lower than the historical average of 3.8% from 2000 to 2019. Despite the overall lack of global economic momentum, there is a significant regional divergence, with Asia emerging as the main driver of global economic growth.

The economic uncertainty has deepened consumers’ concerns about living costs and personal financial conditions, further influencing consumer behavior. Affected by global macroeconomic pressures, the trend of consumption downgrading continues. Consumer goods inflation remains on the rise, albeit at a slower pace. The increasing cost of living has forced consumers to be more budget-conscious, gradually focusing on their own actual needs and the intrinsic value of products to enhance their adaptability to the external environment.

Despite the global economy facing many challenges, there are still numerous opportunities. The impact of COVID-19 pandemic has spurred the development of digitalisation and innovation, providing new impetus and opportunities for the recovery and transformation of the global economy. ChatGPT, led by the trend of artificial intelligence (AI), is profoundly changing our work and lifestyle. Digitalisation and innovation can not only improve production efficiency and quality, reduce costs and risks, but also create new products and services to meet more demands, thus improving people’s well-being.

* For identification purposes only

Management Discussion and Analysis

As an early pioneer of digital solutions in aseptic beverage packaging, Greatview will continue to provide powerful information technology support for customers through digital services, and help customers to expand their markets and strengthen channel controls. At the same time, we will also step up research and development of new products, launch various formats and sizes of packaging products, and commit to the research and development of environmental-friendly products, enriching our product portfolio, so as to widen our customer base, and to improve customer relationship management, thereby enhancing our brand image in markets globally.

Markets and Products

We sold a total of approximately 21.2 billion packs during the year ended 31 December 2023, which represents a decrease of approximately 11.6% as compared to 2022. Such decrease was primarily due to the intensified competition in the PRC market, among which, the sales volume of international business increased by approximately 0.2%, while the sales volume of the PRC business decreased by approximately 17.2%. “Greatview Brick 250mL Base” remained as our top selling product, followed by “Greatview Brick 1000mL Slim PLH”.

The global food and beverage market is growing at a compound annual growth rate (CAGR) of 7.3% from 2022 to 2023, but the flip side of such rapid industry growth is the surge in packaging waste. According to the World Wide Fund for Nature, only 20% of global plastic waste can be recycled, with over 75% of plastic products being discarded. The ongoing increase in the total amount of plastic packaging waste, plus the low recycling rates, have caused serious environmental pollution. Paper-based packaging is becoming the best alternative to plastic packaging. Facing economic losses caused by non-recyclability and consumer demand for sustainable and eco-friendly products, the entire packaging industry will accelerate the process of development toward “circular economy” in the future. The development of sustainable packaging has become the consensus of most enterprises. Greatview, as a pioneer in the industry, has been committed to bringing new comprehensive packaging solutions to the food and beverage industry through innovations in paper substitution for plastic, recyclable materials and bio-based carbon reduction. Currently, all Greatview’s factories have passed the Chain of Custody (CoC) certification, which outlines the requirements for tracking certified materials from the forest to the final product, ensuring that the wood used in the product or product line originates from well-managed forests and other controlled sources. It serves as a proof of Greatview’s commitment to product quality and the sustainability of forest operations.

However, packaging in the food and beverage industry also faces unique challenges in the sustainable cycle. On the one hand, it must provide functional food safety protection that combines quality and safety, which is non-negotiable. On the other hand, it must be more resource-saving and adopt more environmental-friendly methods in the process of production to reduce its negative impact on the environment. To this end, packaging companies need excellent technologies and innovative business models to lead development.

Management Discussion and Analysis

In 2023, Greatview continued to build strength and endeavoured to improve its comprehensive business development capabilities to meet the needs of global customers. Based on our deep insights into the market and accurate understanding of customer needs, we have successfully developed a new product – “Greatview Brick 180mL Ultra Slim”, which has been recognised by international customers. At the same time, relying on our unique “one-code-per-pack” ability, this product has quickly been introduced to the Thai market, injecting new vitality into our business growth.

In response to market demand, we also innovated and launched the “Greatview 1000mL Crown” packaging, an economical and large-capacity product that is popular among consumers around the world. This solution is specifically designed for the low-temperature dairy market. With its unique open-top wide-mouth structure, it does not only significantly improves the convenient sealing performance of the product, but also optimises the filling process and drinking experience of thick drinks, thereby offering customers a new option that is both affordable and functional.



Management Discussion and Analysis

In the process of purchasing food, packaging is often one of the most intuitive factors that influence consumer decision-making. According to the “2023 China Milk Quotient Report”, 78.4% of the public will check product labels before making a purchase. Rich nutritional ingredients, high-quality milk source, low sugar, low-fat and zero additives, and organic certification have become important criteria for consumer decision-making. Meanwhile, a zero-carbon attitude toward dairy products consumption is beginning to emerge, with consumers paying great attention to the source of milk, organicness and recyclable packaging, etc. In particular, whether packaging is environmental-friendly and recyclable could affect 67.5% and 25.6% of the public’s consumption decisions, respectively. In terms of segmented consumer groups, new consumer segments such as the Generation Z consumers, the elderly, and sporting population are showing great potential, which puts forward higher requirements for the functionalisation of dairy products and their product packaging.

In terms of digital products, Greatview has comprehensively improved its digital service capabilities, and continued to empower customers from multiple dimensions including marketing, management and channels, with constant efforts made on innovation. In particular, the Gao Zhen Wu You* (稿真無憂), a packaging design draft management platform, has not only created an industry benchmark case for cooperation with leading customer, but also been highly recognised by customers in other industries, and is making efforts to improve the economy of scale for customers.

Currently, the market size of global aseptic packaging industry maintains a steady growth, China’s aseptic packaging market has entered a stage of rapid growth with the increasing maturity of production technology. Market competition is becoming increasingly intense in 2023, many companies are increasing their market share and strengthening their product capabilities by way of acquisitions, new product releases and others.

Operation Management

In terms of operation and production, the Company continued to promote the development of digital operation. Through technologies such as the Internet of Things (“IoT”) and mobile internet, Greatview’s digital construction maintains the connection with customers, employees, products and partners, as well as the connection between business and production, so as to ensure a real-time perception of enterprise-related behaviours and status.

In 2023, we continued to put a lot of effort in data collection and data governance. With a well-established data system, on the one hand, enterprises can gain insights into their own entire business chain; on the other hand, such data system can also provide overall operational guidance for enterprises, improve the synergistic efficiency between enterprises and their customers and suppliers, and improve their experience.

At present, through construction of digitalisation, Greatview has successfully helped our factory managers to better control production lines, improve product quality, optimise production processes, reduce costs and improve efficiency.

* For identification purposes only

Management Discussion and Analysis

In terms of factory operations, Greatview's Italian factory was successfully put into operation in 2023, which has greatly relieved the production pressure on Greatview's German factory and significantly improved customer satisfaction while increasing production capacity.

Under the support of our sound supply chain management, the supply of the Company's major raw materials remains basically stable. We conduct reviews on the basic information and qualifications of suppliers on a regular basis, and conduct risk assessments on suppliers according to the management needs of environment, quality, food safety and social responsibility. We conduct the annual performance evaluation and audit on all suppliers to ensure that the materials, services and its operation meet Greatview's requirements. However, raw materials may experience price fluctuations due to the uncertainties such as changes in global supply and demand, currency exchange rates, geopolitical events and environmental regulations, which would significantly affect the production cost of manufacturing.



Management Discussion and Analysis

Business Development

Greatview has provided ever increasing variety of packaging material specifications and end-to-end packaging solutions, including filling machines, to global customers.

In terms of sustainable development, Greatview has been strictly fulfilling its corporate social responsibilities, accelerating the realisation of dual-carbon goals, deeply building a green and low-carbon whole industrial chain, continuously optimising product packaging, and minimising carbon emissions.

In February 2023, Greatview's German factory increased its solar power generation capacity to 4.5 Gigawatt-hour, saving more than 20% of purchased electricity and reducing carbon emissions by approximately 2,000 tons per year. As one of Greatview's efforts to combat climate changes worldwide, this initiative has a direct impact on the development of our carbon footprint. In addition, Greatview intends to achieve the goal of net zero carbon emissions from energy in 2025.

In April 2023, while fulfilling its social responsibilities, Greatview made a new attempt to integrate the aesthetics and art of recycled waste cartons into urban public spaces. Greatview collaborated with teachers and students of the China Central Academy of Fine Arts to design chipboards converted from the recycled cartons into works of art for Shenzhen citizens to relax and enjoy. A total of 38,186 cartons were used in the five art works, which is equivalent to collecting and recycling the cartons of milk consumed by 105 people for a year assuming that each person drinks one carton of milk every day.

In June 2023, jointly with the Youth League Committee of Gaotang County, the Education and Sports Bureau of Gaotang County and Shandong Shunrunkang Environmental Protection Housekeeper Co., Ltd.* (山東順潤康環保管家有限公司), Greatview launched milk carton recycling activities themed by "Small Hands in Big Hands, Happy Collection of 'Cartons'"* (小手拉大手·快樂集「盒」) in primary and middle schools across the county, with the participation of more than 23 schools. In order to help Gaotang County become a practitioner of resource recycling and a leader in green development in Shandong and even the country, Mr. HONG Gang, the chairman of Greatview, also gave a unique environmental protection lesson to pupils at National Experimental Primary School of Gaotang County in November, allowing them to learn about environmental protection, as well as cultivate their practical ability and sense of responsibility.



* For identification purposes only

Management Discussion and Analysis

In November 2023, Greatview was awarded the “Best Partner Award” by China Mengniu Dairy Company Limited (“Mengniu Company”) as well as the “Best Strategic Partner Award” by Nanjing Weigang Dairy Co., Ltd.

In December 2023, as one of the first pilot units to carry out performance evaluation of extended producer responsibility for beverage paper-based composite packaging, Greatview was rated as 5A enterprise by the CQC.

In the same month, Greatview was awarded the titles of “Standard Innovation Award of the Eighth Renewable Resource Recycling Industry Conference” and “Meritorious Enterprise of the Eighth Renewable Resource Recycling Industry Conference” by the Alliance of Technological Innovation in Compulsory Resources Recycling Industry of Beijing.



Management Discussion and Analysis

Relationships with Stakeholders

Our Group is committed to operating in a sustainable manner while balancing the interests of our various stakeholders including customers, suppliers, employees, shareholders and the communities. Providing customers with high quality products, with timely and relevant pre-sales and post-sales services is always our focus. Similarly, we view our suppliers not just as vendors but as strategic partners and an important component of our supply chain. We aim to provide long-term and sustainable returns to our shareholders. Our employees are the key to sustainable business growth, therefore workplace safety is a key priority. We uphold our spirit of social responsibility and actively carry out voluntary activities to the best of our ability.

Compliance with Applicable Laws and Regulations

For the year ended 31 December 2023, our Group's operations are mainly carried out by our Company's subsidiaries in mainland China, the Hong Kong Special Administrative Region, Germany, Switzerland, France and Italy. Therefore, the Group complies with relevant laws and regulations in mainland China, the Hong Kong Special Administrative Region, Germany, Switzerland, France, Italy as well as the respective places of incorporation of our Company and our subsidiaries.

During the year ended 31 December 2023 and up to the date of this annual report, the board (the "Board") of directors (the "Directors") of the Company was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of our Group.

FINANCIAL REVIEW

Overview

For the year ended 31 December 2023, our net profit after tax was higher than the year ended 31 December 2022 primarily due to the enhancement of customer base, the fluctuation of foreign exchange rate and the decrease of freight costs. We continuously endeavoured to optimise the product portfolio, search the qualified alternative suppliers and increase production efficiency. Meanwhile, we strived to expand market share and take various measures to cope with the difficult situation. Our management will continue to capture growth in the aseptic packaging industry as well as pursue potential business development opportunities to further enhance return to shareholders.

Management Discussion and Analysis

Revenue

We primarily derive revenue from the PRC and international sales of aseptic packaging and related services to dairy and NCSD producers. Revenue of our Group decreased by approximately 3.1% from approximately RMB3,937.0 million for the year ended 31 December 2022 to approximately RMB3,816.7 million for the year ended 31 December 2023. Such decrease was primarily due to the decrease in sales volume.

With respect to the PRC business segment, our revenue decreased by approximately RMB353.0 million, or 14.0%, to approximately RMB2,167.0 million for the year ended 31 December 2023 from approximately RMB2,520.0 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease in sales volume resulting from intensified competition from a number of local competitors, including but not limited to Shandong Xinjufeng Technology Packaging Co., Ltd. (“Shandong Xinjufeng”), the parent company of Greatview’s current largest substantial shareholder.

With respect to the international business segment, our revenue increased by approximately RMB232.7 million, or 16.4%, to approximately RMB1,649.7 million for the year ended 31 December 2023 from approximately RMB1,417.0 million for the year ended 31 December 2022. Such increase was primarily due to the enhancement of customer base and the fluctuation of foreign exchange rate.

Our revenue from dairy customers decreased by approximately RMB161.5 million, or 5.2%, to approximately RMB2,953.7 million for the year ended 31 December 2023 from approximately RMB3,115.2 million for the year ended 31 December 2022, and our revenue from NCSD customers increased by approximately RMB35.8 million, or 4.6%, to approximately RMB813.2 million for the year ended 31 December 2023 from approximately RMB777.4 million for the year ended 31 December 2022. It was mainly due to the decrease in sales volume and the change of sales mix.

Cost of Sales

Our cost of sales decreased by approximately RMB213.4 million, or 6.4%, to approximately RMB3,135.6 million for the year ended 31 December 2023 from approximately RMB3,349.0 million for the year ended 31 December 2022. The decline in cost of sales was mainly due to the decrease in sales volume.

Gross Profit and Gross Margin

As a result of the foregoing factors, our gross profit increased by approximately RMB93.1 million, or 15.8% from approximately RMB588.0 million for the year ended 31 December 2022 to approximately RMB681.1 million for the year ended 31 December 2023. Our gross margin increased by approximately 2.9 percentage points to approximately 17.8% for the year ended 31 December 2023 from approximately 14.9% for the year ended 31 December 2022.

Management Discussion and Analysis

Other Income

Our other income decreased by approximately RMB12.4 million, or 18.4%, to approximately RMB55.0 million for the year ended 31 December 2023 from approximately RMB67.4 million for the year ended 31 December 2022. It was primarily due to the decrease in subsidy income from government.

Other Gains/(Losses) – Net

Our other gains – net increased by approximately RMB12.9 million, or 2,580.0%, to approximately RMB12.4 million for the year ended 31 December 2023 from other losses – net of approximately RMB0.5 million for the year ended 31 December 2022. It was primarily due to the fluctuation of foreign exchange rate.

Distribution Expenses

Our distribution expenses decreased by approximately RMB28.0 million, or 11.0%, to approximately RMB226.4 million for the year ended 31 December 2023 from approximately RMB254.4 million for the year ended 31 December 2022. It was primarily due to the decrease in freight costs.

Administrative Expenses

Our administrative expenses increased by approximately RMB24.7 million, or 14.6%, to approximately RMB194.5 million for the year ended 31 December 2023 from approximately RMB169.8 million for the year ended 31 December 2022. The increase was primarily due to the increase in salary, professional fees as well as research and development expenses.

Taxation

Our income tax expenses increased by approximately RMB29.5 million, or 58.6%, to approximately RMB79.9 million for the year ended 31 December 2023 from approximately RMB50.4 million for the year ended 31 December 2022. Our effective tax rate increased by approximately 3.1 percentage points to approximately 24.7% for the year ended 31 December 2023 from approximately 21.6% for the previous financial year.

Profit for the Year and Net Profit Margin

Driven by the factors as aforementioned, our net profit increased by approximately RMB61.8 million, or 33.9%, to approximately RMB244.2 million for the year ended 31 December 2023 from approximately RMB182.4 million for the year ended 31 December 2022. Our net profit margin increased by approximately 1.8 percentage points to approximately 6.4% for the year ended 31 December 2023 from approximately 4.6% for the year ended 31 December 2022.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, we had approximately RMB866.7 million (2022: approximately RMB607.4 million) in cash and cash equivalents. Our cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC.

Analysis of Turnover of Inventories, Trade Receivables and Payables

Our Group's inventories primarily consist of raw materials and finished goods. Turnover days for inventory (inventories/cost of sales) increased from approximately 110.4 days as at 31 December 2022 to approximately 122.3 days as at 31 December 2023. Our turnover days for trade receivables (trade receivables/revenue) increased from approximately 66.8 days as at 31 December 2022 to approximately 68.2 days as at 31 December 2023. Our turnover days for trade payables (trade payables/cost of sales) increased from approximately 45.3 days as at 31 December 2022 to approximately 47.8 days as at 31 December 2023.

Borrowings and Finance Cost

Borrowings of our Group as at 31 December 2023 were bank borrowings which amounted to approximately RMB140.8 million (2022: approximately RMB223.6 million) and denominated in HK\$ and EUR. Amongst the borrowings, approximately RMB140.8 million (2022: approximately RMB223.6 million) will be repayable within one year. For the year under review, the net finance income of our Group was approximately RMB4.5 million (2022: approximately RMB5.3 million). For details of the borrowings of our Group, please refer to notes 18 and 24 to the consolidated financial statements contained in this annual report respectively.

Gearing Ratio

As at 31 December 2023, the gearing ratio of our Group was approximately 0.05 (2022: approximately 0.09), which was in line with the reduction of outstanding loans. The gearing ratio is calculated by dividing total loans and bank borrowings by total equity as at the end of the financial year.

Working Capital

Our working capital as at 31 December 2023 was approximately RMB1,590.7 million (2022: approximately RMB1,299.8 million). The working capital is calculated by the difference between the current assets and current liabilities.

Management Discussion and Analysis

Foreign Exchange Exposure

Our Group's sales and purchases were primarily denominated in RMB, EUR and USD. During the year under review, our Group recorded exchange gain of approximately RMB5.8 million (2022: exchange loss of approximately RMB3.5 million).

Capital Expenditure

As at 31 December 2023, our Group's total capital expenditure amounted to approximately RMB104.4 million (2022: approximately RMB88.6 million), which was mainly used for purchasing production machines and equipment for the Group.

Capital Commitments

As at 31 December 2023, our Group had capital commitments of approximately RMB63.2 million (2022: approximately RMB72.5 million) in respect of acquisitions of property, plant and equipment.

Charge on Assets

As at 31 December 2023, our Group neither pledged any property, plant and equipment (2022: nil) nor land use right (2022: nil).

Contingent Liabilities

The Company has identified certain contingent liabilities in the normal course of business.

Having considered all the facts of these matters, including legal advice when relevant, the Directors are of the view that there are no material contingent liabilities as at 31 December 2023 (2022: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, our Group employed approximately 1,791 employees (2022: approximately 1,780 employees). Our Group offered competitive salary package, as well as discretionary bonuses, cash subsidies and contribution to social insurance to our employees. Our total employee benefit expenses for the year ended 31 December 2023 amounted to approximately RMB379.5 million (2022: approximately RMB341.5 million). In general, we determine employee salaries based on each employee's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. In order to ensure that our Group's employees remain competitive in the industry, the Company has adopted training schemes for our employees managed by our human resources department. For details of the remuneration of our Group, please refer to note 23 to the consolidated financial statements contained in this annual report.

Management Discussion and Analysis

PROSPECTS

In 2023, despite the global pandemic is almost over, there remains geopolitical crisis as the political tension in Ukraine has an important impact on stable development of the global economy. The increased complexity in global supply chain is at risk of reshaping, with high levels of inflation. Facing the weak global economy and trade situation, Greatview will continue to undertake corporate social responsibility while ensuring production and operation safety, so as to provide high-quality and diversified products for global customers.

In the future, Greatview will continue to focus on the PRC and global markets, and always adhere to the four principles of pragmatism, innovation, collaboration and sharing. We intend to execute the following plans to support our future development:

- Deepening the cooperation with existing customers through digital intelligence, and expanding the customer base and our market share in the PRC;
- Adhering to the international development strategy, and steadily developing international business by strengthening localised operation, promoting new product research and development, and enriching product structure;
- Strengthening technological and application innovation, broadening the application of packaging material and filling equipment, and improving after-sales service;
- Paying more attention to the impact on the environment, society and economy, and continuously enhancing sustainability; and
- Continuing to strictly control product quality and cost, and to promote operational excellence. Building the core competitiveness of digital intelligence products based on big data, IoT and artificial intelligence technologies.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Bi Hua, Jeff (畢樺)

Mr. Bi Hua, Jeff (畢樺), aged 60, joined our Group as chief executive officer of the Company (the “Chief Executive Officer”) in March 2003 and was appointed as an executive Director on 29 July 2010. He is primarily responsible for our overall business strategy formulation, execution and organisational development. Mr. Bi is also a director of our Group’s subsidiaries, namely Partner One Enterprises Limited (“Partner One”), Falcon Eye Global Limited, Global Land International Industries Limited, Greatview Holdings Limited (“Greatview Holdings”), Esight Company Limited, Greatview Aseptic Packaging (Shandong) Co. Ltd. (“Greatview Shandong”), Greatview Aseptic Packaging (Inner Mongolia) Co. Ltd. (“Greatview Inner Mongolia”), Greatview Beijing Trading Co. Ltd. (“Greatview Beijing”), Greatview Aseptic Packaging Europe GmbH (formerly known as Tralin Pak Europe GmbH and GA Pack Europe GmbH), Greatview Aseptic Packaging Manufacturing GmbH (formerly known as GA Pack Property GmbH and GA Pack Manufacturing GmbH) and Likang. Mr. Bi has more than 26 years of experience in marketing development in the aseptic packaging industry as well as company management. From 1997 to 2003, he was a sales and marketing manager at a leading aseptic packaging producer. From 1992 to 1997, Mr. Bi was the Greater China manager of Echostar Corporation, a software and service provider for television companies worldwide. Mr. Bi graduated from the University of Denver with a Master of Arts degree in 1991. He did not hold any directorship in other listed public companies in the last three years. For the interests of Mr. Bi in the shares of the Company (the “Shares”) or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 517 of the Laws of Hong Kong) (the “SFO”) as at 31 December 2023, please refer to the section headed “Interests and Short positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” on page 32 of this annual report for details.

Mr. CHANG Fuquan (常福泉)

Mr. CHANG Fuquan (常福泉), aged 66, is our chief financial officer and was appointed as an executive Director on 27 March 2019. Mr. Chang joined our Group in June 2005 and was appointed as a director of our subsidiaries, namely Greatview Holdings and Partner One on 5 August 2019. Mr. Chang is also a director of our subsidiaries, namely Greatview Beijing, Greatview Shandong, Greatview Inner Mongolia and Likang. He was the joint company secretary of the Company from November 2010 to March 2019. He is primarily responsible for the overall accounting, financial management and treasury of our Group. Mr. Chang has over 34 years of experience in financial management. Prior to joining us, Mr. Chang was the chief finance officer of Fujian Nanping Nanfu Battery Co., Ltd. from 2002 to 2005, the finance controller of John Deere Jialian Harvester Co. Ltd. from 1999 to 2001, the deputy finance controller of China Automotive Components Corporation from 1997 to 1999, the chief financial officer of San Miguel Bada (Baoding) Brewery Co., Ltd. from 1995 to 1996 and the financial director of China Enterprise Culture Group from 1992 to 1994. Mr. Chang has also worked as the financial supervisor at Beijing McDonald’s Food Co Ltd.* (北京麥當勞食品有限公司) from 1994 to 1995 and as an accountant in each of Bohai Oil Corporation and Oil Drilling Service Co, both being subsidiaries of China National Offshore Oil Corporation, from 1985 to 1992. Mr. Chang graduated from Xiamen University in the PRC in 1985, major in International Accounting. He completed a Master of Accounting Class in Xiamen University in the PRC in 1998. He did not hold any directorship in other listed public companies in the last three years. For the interests of Mr. Chang in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as at 31 December 2023, please refer to the section headed “Interests and Short positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” on page 32 of this annual report for details.

* For identification purposes only

Board of Directors and Senior Management

Non-executive Directors

Mr. HONG Gang (洪鋼)

Mr. HONG Gang (洪鋼), aged 65, is our co-founder and chairman of the Board (the “Chairman”). Mr. Hong joined the Group in March 2003. He was appointed as an executive Director on 29 July 2010 and was re-designated as a non-executive Director on 29 August 2014. He is primarily responsible for the strategic development and supervision of investor relations of our Group. Mr. Hong has more than 35 years of experience in the packaging industry. From 1993 to 2002, he held various executive positions with a leading aseptic packaging producer. Mr. Hong graduated from Zhejiang University in the PRC with a Bachelor of Science degree in 1982 and obtained a Master of Philosophy (Development Studies) degree from Sussex University in the United Kingdom in 1987. He did not hold any directorship in other listed public companies in the last three years. For the interests of Mr. Hong in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as at 31 December 2023, please refer to the section headed “Interests and Short positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” on page 32 of this annual report for details.

Mr. WANG Bangsheng (王邦生)

Mr. WANG Bangsheng (王邦生), aged 44, was appointed as a non-executive Director on 30 November 2023. Mr. Wang is the general manager of the procurement management department of Tianjin New Value Supply Chain Co., Ltd. (“Tianjin New Value”), an indirect wholly-owned subsidiary of Mengniu Company (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with stock code 2319) and an important strategic customer of the Company. Mr. Wang has served as the general manager of Tianjin New Value since 2018 and has attained approximately 7 years of experience in the field of procurement management and developed inter-personal relationships with different suppliers in the field of dairy supply chains. Prior to this, Mr. Wang served as a supervisor of Tianjin New Value’s packaging material procurement department between 2017 and 2018. He then served as the general manager of Tianjin New Value’s packaging material procurement department and procurement fulfilment department from 2018 to 2022 before being promoted to general manager of Tianjin New Value’s procurement management department in 2022. Mr. Wang obtained a master’s degree in administrative management from the University of International Business and Economics in 2007. Saved as disclosed above, he did not hold any directorship in other listed public companies in the last three years. He did not have any interest in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as at 31 December 2023.

Board of Directors and Senior Management

Independent Non-executive Directors

Mr. LUETH Allen Warren

Mr. LUETH Allen Warren, aged 55, was appointed as an independent non-executive Director on 15 November 2010. Mr. Lueth is primarily responsible for scrutinising and monitoring the performance of the Group. Mr. Lueth is currently an independent director of Fanhua Inc. (FANH NASDAQ), one of the largest independent financial service providers in the PRC primarily focused on insurance distribution. Since March 2024, Mr. Lueth has been serving as a chief operating officer of Wellington College China, a company primarily engaged in providing education services in the PRC and the United States of America. From February 2021 to March 2024, Mr. Lueth served as a chief executive officer of Great Leap Brewing, a company mainly engaged in producing and distributing beer in the PRC. From September 2019 to February 2021, Mr. Lueth served as a president and chief financial officer of International Institute of Education Group, a company mainly engaged in language education in the PRC. From 2017 to 2019 and 2010 to 2017, Mr. Lueth served as a chief financial officer for Asia-Pacific region and a vice president of finance for the PRC region for Cardinal Health, Inc., a Fortune 500 company engaged in the healthcare industry respectively. From 2005 to 2010, Mr. Lueth served as a vice president of finance and strategy formation for the PRC region for Zuellig Pharma China, which was then acquired by Cardinal Health, Inc. in 2010. Previously, Mr. Lueth worked for GE Capital from 1998 to 2004 in a variety of roles, including chief financial officer and chief executive officer for the Taiwan operations, and representative for the PRC. Earlier, he served with Coopers & Lybrand as an auditor. Mr. Lueth received his Bachelor of Science in business degree from the University of Minnesota and a Master of Business Administration degree from the Kellogg School of Management at Northwestern University. Mr. Lueth obtained his certificate as a certified public accountant in 1991 and certified management accountant in 1994. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Mr. BEHRENS Ernst Hermann

Mr. BEHRENS Ernst Hermann, aged 76, was appointed as an independent non-executive Director on 15 November 2010. Mr. Behrens is primarily responsible for scrutinising and monitoring the performance of our Group. From 2005 to 2009, Mr. Behrens was a senior adviser of China business of Vermilion Partners Limited, which is a private equity and investment advisory firm based in the PRC offering a range of merchant banking and corporate advisory services to leading multinationals, Chinese companies and investors. Mr. Behrens was the non-executive chairman of European Aeronautic Defence and Space Company of China ("EADS China") from 2007 to 2009 and the president and chief executive officer of EADS China from 2005 to 2006. From 1997 to 2004, Mr. Behrens served as the president and chief executive officer of Siemens Ltd., China and from 1992 to 1997, he served as the president and chief executive officer of Siemens Inc. Philippines. Prior to joining Siemens Inc. Philippines, Mr. Behrens was an executive vice president of Electronic Telephone Systems, Industries Inc., Philippines from 1984 to 1992; a country representative for Siemens in Jebsen and Co. PRC from 1981 to 1984; a technical and administration manager of Nixdorf Computers, Hong Kong from 1976 to 1981; the head of field engineering of Nixdorf Computers, Germany from 1972 to 1976 and an electronic engineer of German Naval Air Force, Germany from 1968 to 1971. Mr. Behrens was the chairman of the Executive Committee of Foreign Investment Companies in China from 2002 to 2005; the president of the European Union Chamber of Commerce in China from 2002 to 2004; the president of the German Chamber of Commerce in China from 1999 to 2001; the president of the European Chamber of Commerce in Philippines from 1995 to 1997 and its treasurer from 1993 to 1994. Mr. Behrens was honoured by Beijing Municipality with the Great Wall Friendship Award in 2004; awarded by Shanghai Municipality with the Magnolia Award Gold level in 2003 and decorated by the German government with the cross of the Order of Merit in 1993. Mr. Behrens was appointed as an independent non-executive director by Deutsche Bank (China) Co. Ltd. from March 2011 to July 2017 and a non-executive director by Nordex (Beijing) Wind Power Engineering & Technology Co. from the first half year of 2011 to December 2017. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Board of Directors and Senior Management

Mr. GUO Kai (郭凱)

Mr. GUO Kai (郭凱), aged 44, was appointed as an independent non-executive Director on 27 June 2023. Mr. Guo has worked in financial institutions for more than 14 years, and has also been involved in the field of economic research. Mr. Guo is currently a senior research fellow at the China Finance 40 Institute. Mr. Guo was the director of China Bond Insurance Co., Ltd. from November 2021 to December 2022. Mr. Guo also served in the People's Bank of China (the "PBC") for nearly 10 years, during which he held various positions, including research fellow at the PBC's Financial Research Institute from December 2011 to December 2012; deputy division chief and division chief of the PBC's International Department from December 2012 to September 2016. From September 2016 to April 2019, he was the deputy director general of the PBC's International Department, where he was in charge of multilateral business including International Monetary Fund, G20 and BRICS countries, as well as bilateral business. From April 2019 to October 2021, he was the deputy director general of the PBC's Monetary Policy Department, where he was in charge of services such as foreign exchange, refinancing and reserve requirements. Mr. Guo also served as an economist at International Monetary Fund from August 2008 to November 2011. Mr. Guo graduated from Peking University with a bachelor's double-degree in electronics and economics in 2000, followed by a master's degree in economics from Peking University in 2003 and a doctor's degree in economics from Harvard University in July 2008. He did not hold any directorship in other listed public companies in the last three years.

SENIOR MANAGEMENT

Mr. BI Hua, Jeff (畢樺)

Biographical details of Mr. BI Hua, Jeff are set out on page 23 of this annual report.

Mr. CHANG Fuquan (常福泉)

Biographical details of Mr. CHANG Fuquan are set out on page 23 of this annual report.

Mr. CHEN Guining (陳桂寧)

Mr. CHEN Guining (陳桂寧), aged 68, is our Group's Chief Technical Officer. Mr. Chen joined our Group in May 2003. He is primarily responsible for technical project of aseptic packaging and filling machine. Mr. Chen has over 31 years of experience in the aseptic packaging industry. Prior to joining us, Mr. Chen was a technical service engineer of a leading aseptic packaging materials producer from 1988 to 2001 and its field service manager from 2001 to 2003, respectively. Mr. Chen graduated from the Beijing Open University with a Bachelor of Science in Machinery Science in 1983.

Mr. YANG Jiuxian (楊久賢)

Mr. YANG Jiuxian (楊久賢), aged 60, is our Group's Sales Director. Mr. Yang joined our Group in September 2003. He is primarily responsible for domestic sales. Mr. Yang has over 24 years of experience in dairy industry management and sales. Mr. Yang was the general manager of NIUMAMA Dairy Co., Ltd. in 2003. Prior to joining NIUMAMA Dairy Co., Ltd., Mr. Yang was a key account manager of Northeast China and Inner Mongolia for a leading aseptic packaging materials producer in Beijing from 2000 to 2003 and a key account manager of six provinces in southwest China for the aforesaid company's Shanghai office from 1998 to 2000. Mr. Yang graduated from the Beijing Union University with a Bachelor of Chinese Language and Literature degree in 1986.

Board of Directors and Senior Management

Mr. CHEN Zuqing (陳祖慶)

Mr. CHEN Zuqing (陳祖慶), aged 55, is the Technical Services Director of our Group. Mr. Chen joined our Group in April 2014. He is primarily responsible for after-sales service and technical support for aseptic packaging materials and aseptic filling equipment. Mr. Chen has 24 years of experience in the aseptic packaging industry. Prior to joining our Group, Mr. Chen worked for a leading aseptic packaging materials producer in several positions in the area of technical services from 1997 to 2014. From 1991 to 1997, he worked in Sichuan Airlines and was engaged in management of electronic and electrical maintenance for aircraft. Mr. Chen graduated from the Department of Electrical Engineering of Harbin Institute of Technology in 1991, with a major in micro-motor and electrical control, and a Bachelor of Engineering.

Mr. LAN Qintang (藍欽棠)

Mr. LAN Qintang (藍欽棠), aged 66, is our Production Director. Mr. Lan, joined our Group in April 2012 and served as our Production Director from April 2012 to March 2017 and from April 2023 to present, respectively, is responsible for all converting plants in the Group. Mr. Lan also served as our outsourced production consultant from December 2020 to March 2023. Mr. Lan has 36 years of experience in converting of aseptic packaging material industry. Prior to joining our Group, he had been working as a factory director at a leading aseptic packaging producer in the Greater China region. Mr. Lan graduated from Si Xin University in Taiwan, with a major in printing engineering.

REPORT OF THE DIRECTORS

The Board presents its report together with the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 28 to the consolidated financial statements. There were no significant changes in nature of the Group's activities during the year.

BUSINESS MODEL AND STRATEGY

Our mission is to create and add value to the liquid food industry and benefit consumers around the world. We are committed to provide to our customers with customised, high quality and competitively priced products. The Group always endeavours to enhance its enterprise value, ensure the Company's long-term and stable development and benefit its shareholders and other stakeholders. These were demonstrated by putting resources on innovation and research and development in order to continue improving the quality of products and services. The discussion and analysis of the Group's performance and the business review for the year ended 31 December 2023 are set out on pages 10 to 22 under "Management Discussion and Analysis" and pages 28 to 43 under "Report of the Directors" of this annual report respectively.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement.

BUSINESS REVIEW AND FUTURE OUTLOOK

The business review and future outlook of the Group for the year ended 31 December 2023 are set out in the section headed "Management Discussion and Analysis" on pages 10 to 22 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties identified by the Group are set out on pages 58 to 62 under the "Corporate Governance Report" (the "Corporate Governance Report") of this annual report.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations, and minimising wastes and emission. The Group achieves this through actively re-designing its production activities and operation that encourage and promote recycling of resources, using environmental-friendly raw materials and reviewing production operations constantly to ensure that the production processes are effective and efficient.

For more details, please refer to the corporate sustainability report of the Group (the "Corporate Sustainability Report") prepared according to the "Environmental, Social and Governance Reporting Guide" pursuant to Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A separate report is expected to be published on both the Company's website and the website of the Stock Exchange at the same time as the publication of this annual report.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for approximately 11.2% and 42.9% respectively of the Group's total purchases for the year. Revenue attributable to the Group's largest customer ("Customer A") and the five largest customers in aggregate accounted for approximately 27.9% and 48.7% respectively of the Group's total revenue for the year.

On 31 May 2023, Customer A entered into a framework agreement (the "Framework Agreement") with certain subsidiaries of the Group (the "Relevant Subsidiaries"), pursuant to which, Customer A may purchase various types of packaging materials from the Group for the manufacturing of its dairy products by placing specific purchase orders from time to time in accordance with the terms of the Framework Agreement. The term of the Framework Agreement (the "Term") commenced on 1 January 2023 and ends on 31 December 2025. If Customer A and the Relevant Subsidiaries (the "Parties") have not entered into a new framework agreement upon the expiry of the Term, the Term shall then be automatically extended to the date where such new agreement is made between the Parties. To give further reassurances to Customer A regarding the change in shareholding of the Company arising from the completion of the Proposed Disposal (as defined below), the Relevant Subsidiaries are required to give certain undertakings to Customer A under the Framework Agreement. For further details, please refer to the announcement of the Company dated 31 May 2023.

On 30 November 2023, the Company entered into a subscription agreement (the "Subscription Agreement") with Xueyu Enterprise Management Consulting (Tianjin) Partnership (Limited Partnership) (雪譽企業管理諮詢(天津)合夥企業(有限合夥)) ("Xueyu"), which is controlled by a subsidiary of Mengniu Company, one of our largest customers for the year ended 31 December 2023. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Xueyu has conditionally agreed to subscribe or designate its affiliated entity to subscribe for a total of 70,498,000 new Shares (the "Subscription Shares") at the subscription price of HK\$1.62 per Subscription Share (the "Subscription"). Upon completion of the Subscription, Mengniu Company will be deemed to have an interest in 5.01% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. As of 31 December 2023, the Subscription had not been completed, and it was only completed on 28 March 2024. For further details of the Subscription, please refer to the sections headed "Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company" and "Significant Investment, Material Acquisitions and Disposals of Subsidiaries and Associated Companies during the Year Ended 31 December 2023, and Future Plans for Material Investment or Acquisition of Capital Assets" in this annual report. Pursuant to the Subscription Agreement, Xueyu had the right to nominate a person for appointment as a Director, in which they nominated Mr. WANG Bangsheng as a Director, and Mr. WANG Bangsheng was appointed as a non-executive Director with effect from 30 November 2023. For further details of the Subscription and Mr. WANG Bangsheng's employment history with Mengniu Company, please refer to the Company's announcements dated 30 November 2023.

Save as disclosed above, none of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Shares) had any interest in the Group's five largest customers and suppliers for the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year under review in the share capital of the Company are set out in note 13 to the consolidated financial statements.

Report of the Directors

RESERVES

Details of movements in the reserves of the Group during the year under review are set out in the consolidated statement of changes in equity.

As at 31 December 2023, the Company had reserves available for distribution of approximately RMB605.2 million (2022: approximately RMB603.8 million).

DIRECTORS

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

Executive Directors

Mr. BI Hua, Jeff (*Chief Executive Officer*)

Mr. CHANG Fuquan

Non-Executive Directors

Mr. HONG Gang (*Chairman*)

Mr. WANG Bangsheng (appointed with effect from 30 November 2023)

Mr. PANG Yiu Kai (resigned with effect from 22 September 2023)

Mr. SUN Yanjun (*alternate to Mr. PANG Yiu Kai*) (resigned with effect from 22 September 2023)

Independent Non-Executive Directors

Mr. LUETH Allen Warren

Mr. BEHRENS Ernst Hermann

Mr. GUO Kai (appointed with effect from 27 June 2023)

Mr. ZHU Jia (resigned with effect from 27 June 2023)

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Group are set out on pages 23 to 27 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the year ended 31 December 2023 and remain so as at the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors and non-executive Directors has entered into a service contract and letter of appointment respectively with the Company for an initial fixed term of two years unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract or letter of appointment, which is not determinable by the Group within one year without the payment of compensation, other than statutory compensation.

Report of the Directors

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

DIVIDEND POLICY

Pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO, Greatview and the Board have approved and adopted a dividend policy (the "Dividend Policy").

The Company considers stable and sustainable returns to the shareholders of the Company to be our goal. According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

- (i) the general financial condition of the Group;
- (ii) the Group's actual and future operations and liquidity position;
- (iii) the Group's expected working capital requirements and future expansion plans;
- (iv) the Group's debt to equity ratios and the debt level;
- (v) the retained earnings and distributable reserves of the Company and each of the members of the Group;
- (vi) the shareholders' and the investors' expectation and industry's norm;
- (vii) the general market conditions; and
- (viii) any other factors that the Board deems appropriate.

The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands and the Company's articles of association (the "Articles") and any other applicable laws and regulations. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in notes 35 and 23 to the consolidated financial statements, respectively. None of the Directors waived or agreed to waive any emoluments during the year ended 31 December 2023.

Report of the Directors

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

As at 31 December 2023, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules are as follows:

Interests and Short Position in the Shares and Underlying Shares

Name of Director/ chief executive	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 4)
Mr. BI Hua, Jeff	129,000,000	1	Founder of a discretionary trust	Long position	9.65%
Mr. HONG Gang	78,141,966	2	Interest of controlled corporation	Long position	5.85%
Mr. CHANG Fuquan	4,500,000	3	Interest of controlled corporation	Long position	0.34%

Notes:

- (1) Foxing Development Limited ("Foxing") is directly interested in 129,000,000 Shares. Foxing is wholly-owned by Hill Garden Limited ("Hill Garden") and is therefore deemed to be interested in the same 129,000,000 Shares. Mr. BI Hua, Jeff is the founder of the trust that wholly-owns Hill Garden. Mr. BI Hua, Jeff, therefore, is deemed to be interested in the same 129,000,000 Shares.
- (2) Phanron Holdings Limited ("Phanron") is wholly-owned by Mr. HONG Gang and he is therefore deemed to be interested in the 78,141,966 Shares held by Phanron.
- (3) Goldmap Investments Limited ("Goldmap") is wholly-owned by Mr. CHANG Fuquan and he is therefore deemed to be interested in the 4,500,000 Shares held by Goldmap.
- (4) As at 31 December 2023, the Company had 1,336,631,000 Shares in issue.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

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

As at 31 December 2023, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions 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:

Interests and Short Position in the Shares and Underlying Shares

Name of substantial shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%) (Note 8)
Jingfeng Holding Limited ("Jingfeng")	377,132,584	1	Beneficial owner	Long position	28.22%
Shandong Xinjufeng	377,132,584	1	Interest of controlled corporation	Long position	28.22%
Foxing	129,000,000	2	Beneficial owner	Long position	9.65%
Hill Garden	129,000,000	2	Interest of controlled corporation	Long position	9.65%
Madam BI Wei Li	129,000,000	3	Interest of spouse	Long position	9.65%
Brown Brothers Harriman & Co.	79,594,000		Approved lending agent	Long position	5.95%
	79,594,000		Approved lending agent	Lending pool	5.95%
Phanron	78,141,966		Beneficial owner	Long position	5.85%
Madam XU Zhen	78,141,966	4	Interest of spouse	Long position	5.85%
Xueyu	70,498,000	5, 6, 7	Beneficial owner	Long position	5.27%
Inner Mongolia Mengniu Dairy (Group) Co., Ltd. ("Mengniu Group")	70,498,000	6, 7	Interest of controlled corporation	Long position	5.27%
Inner Mongolia Mengniu Fangding Industrial Management Co., Ltd. ("Fangding")	70,498,000	6, 7	Interest of controlled corporation	Long position	5.27%
China Dairy (Mauritius) Limited	70,498,000	6, 7	Interest of controlled corporation	Long position	5.27%
China Dairy Holdings	70,498,000	6, 7	Interest of controlled corporation	Long position	5.27%
Mengniu Company	70,498,000	6, 7	Interest of controlled corporation	Long position	5.27%

Report of the Directors

Notes:

- (1) Jingfeng has a direct interest in 377,132,584 Shares. Shandong Xinjufeng is the ultimate holding company of Jingfeng. Therefore, Shandong Xinjufeng is deemed to be interested in 377,132,584 Shares.
- (2) Foxing has a direct interest in 129,000,000 Shares. Hill Garden is interested in 100% of Foxing. Therefore, Hill Garden is deemed to be interested in 129,000,000 Shares. Mr. Bi Hua, Jeff is the founder of the trust that wholly-owns Hill Garden.
- (3) Madam Bi Wei Li is interested in a long position of 129,000,000 Shares by virtue of her being the spouse of Mr. Bi Hua, Jeff.
- (4) Madam XU Zhen is interested in a long position of 78,141,966 Shares by virtue of her being the spouse of Mr. HONG Gang.
- (5) On 30 November 2023, the Company entered into the Subscription Agreement with Xueyu, pursuant to which the Company has conditionally agreed to allot and issue, and Xueyu has conditionally agreed to subscribe or designate its affiliated entity for the Subscription Shares at the subscription price of HK\$1.62 per Subscription Share in accordance with the terms and conditions as set out in the Subscription Agreement. As of 31 December 2023, the Subscription had not been completed, and it was only completed on 28 March 2024. For further details, please refer to the circular of the Company dated 17 January 2024 and the announcement of the Company dated 28 March 2024.
- (6) Xueyu has a direct interest in 70,498,000 Shares. Mengniu Group and Fangding are interested in 98.04% and 0.01% of Xueyu respectively, Mengniu Group is interested in 100% of Fangding, China Dairy (Mauritius) Limited and Mengniu Company are interested in 91.01% and 8.99% of Mengniu Group respectively, China Dairy Holdings is interested in 100% of China Dairy (Mauritius) Limited, and China Dairy Holdings is wholly-owned by Mengniu Company. Therefore, Mengniu Group, Fangding, China Dairy (Mauritius) Limited, China Dairy Holdings and Mengniu Company are deemed to be interested in 70,498,000 Shares.
- (7) The Subscription Shares represent approximately 5.27% of the entire issued share capital of the Company as at 31 December 2023, and approximately 5.01% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, which amounts to 1,407,129,000 Shares.
- (8) As at 31 December 2023, the Company had 1,336,631,000 Shares in issue.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Report of the Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or contract of significance to the Company in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year ended 31 December 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their fellow subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their fellow subsidiaries during the year ended 31 December 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INDEMNITIES

Pursuant to article 164 of the Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged Directors' liability insurance for the Directors to indemnify them against all actions, costs, charges, losses, damages and expenses incurred arising out of the corporate activities. Apart from that, at no time during the reporting period and up to the date of this annual report, there was or is any permitted indemnity provision being in force for the benefit of any Director or its associated company (whether made by the Company or otherwise).

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2023, there was no connected transaction or continuing connected transaction of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. Details of significant related party transactions undertaken in the usual course of business are set out in note 30 to the consolidated financial statements. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Report of the Directors

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES DURING THE YEAR ENDED 31 DECEMBER 2023, AND FUTURE PLANS FOR MATERIAL INVESTMENT OR ACQUISITION OF CAPITAL ASSETS

On 16 May 2023, the Board approved the Company's plan for the purchase of equipment and expansion of the Company's production facilities in order to increase the production capacity of the Company (the "Expansion Plan"). With a view to allowing the Company to obtain funding to finance the purchase of equipment and expansion of production facilities according to the Expansion Plan, the Board is currently exploring different avenues to finance the Expansion Plan, including but not limited to issuing and allotting new Shares, utilising working capital generated from operations, obtaining loans from banks, other forms of debt or equity financing and/or any combination of the above. For further details of the Expansion Plan, please refer to the announcement of the Company dated 25 May 2023.

On 30 November 2023, the Company entered into the Subscription Agreement with Xueyu, pursuant to which the Company has conditionally agreed to allot and issue, and Xueyu has conditionally agreed to subscribe or designate its affiliated entity to subscribe for the Subscription Shares at the subscription price of HK\$1.62 per Subscription Share in accordance with the terms and conditions as set out in the Subscription Agreement. The Company intends to apply the net proceeds of approximately HK\$113,206,760 from the Subscription towards the Expansion Plan, which the Company has estimated would require approximately RMB441.3 million for the purchase of the necessary equipment to expand one of the Company's production facilities. The Company estimates that approximately RMB70.9 million, RMB210.8 million and RMB159.6 million would need to be incurred during each of the years ending 31 December 2024, 2025 and 2026 respectively for the Expansion Plan. Considering that numerous customers of the Company have reflected to the Company its long lead time to fulfill their purchase orders and the anticipated growth in the volume of purchase orders from the Group's international segment in the coming years, the Board believes that it is imperative to carry out the Expansion Plan as soon as practicable or risk losing its global market share in an increasingly competitive aseptic packaging industry. For further details of the intended use of proceeds from the Subscription towards the Expansion Plan, please refer to the circular of the Company dated 17 January 2024.

All conditions precedent to the Subscription had been fulfilled and the Subscription was completed on 28 March 2024. For further details, please refer to the announcement of the Company dated 28 March 2024.

Save as disclosed above, the Company had no significant investments, material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2023. Subsequently on 29 January 2024, the Company had undergone a restructuring of its international business segment during which there was a deemed disposal of the Company's interest in a subsidiary in relation to its international business. For further details, please refer to the section headed "Events after the Reporting Period" in the Report of the Directors and the Company's announcement dated 29 January 2024. As at the date of this annual report, the Group has no future plan to make any significant investments or acquisitions of capital assets.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2023, the Directors were not aware of any business or interest of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

Report of the Directors

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2023, the aggregate amount of guarantees provided for the banking facilities granted to affiliated companies of the Group by the Company was approximately RMB940.2 million, which exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules. Details of which were set out below:

Name of affiliated company	The Group's attributable interest in affiliated company %	Amount of guarantees given for the banking facilities granted to affiliated company RMB'000	Extent of guarantees utilised RMB'000
Greatview Holdings	100	743,684	140,823
Greatview Aseptic Packaging Europe GmbH	100	196,480	–
Greatview Aseptic Packaging Manufacturing GmbH	100	196,480	–

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of the aforementioned affiliated companies as at 31 December 2023 is presented as follows:

	Proforma combined statement of financial position RMB'000
Non-current assets	1,057,742
Current assets	701,420
Current liabilities	(316,501)
Non-current liabilities	(895,629)
Net assets	547,032

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustment to confirm with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2023.

Report of the Directors

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2023 are set out in note 18 to the consolidated financial statements.

RETIREMENT SCHEMES

Information of the retirement schemes of the Group are set out in notes 36.13 and 23 to the consolidated financial statements.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct during the year ended 31 December 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

DONATIONS

During the year ended 31 December 2023, the Group had no donation for charitable purposes (2022: approximately RMB44,177.3).

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2023, the Company has not entered into any equity-linked agreement, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2023.

PUBLIC FLOAT

During the year ended 31 December 2023 and up to the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the best knowledge of the Directors.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Board is not aware of any relief or exemption from taxation available to our shareholders by reason of their holdings in the Shares.

Report of the Directors

FINAL DIVIDEND

The Board recommends the payment of a final dividend amounting to approximately HK\$84.4 million (HK\$0.06 per Share, approximately RMB76.5 million in total) (the “Final Dividend”) to be paid out of the distributable profits of the Company, for the year ended 31 December 2023 (2022: nil per Share). The proposed Final Dividend, if approved by shareholders at the forthcoming annual general meeting, shall be paid on or around Friday, 26 July 2024 to the shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2024.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any Final Dividend.

SPECIAL DIVIDEND

The Board also recommends the payment of a special dividend amounting to approximately HK\$56.3 million (HK\$0.04 per Share, approximately RMB51.0 million in total) (the “Special Dividend”) to be paid out of the share premium account of the Company (the “Share Premium Account”), for the year ended 31 December 2023 (2022: nil per Share). The proposed Special Dividend, if approved by shareholders at the forthcoming annual general meeting, shall be paid on or around Friday, 26 July 2024 to the shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2024.

The payment of the Special Dividend out of the Share Premium Account does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

The Board considers it appropriate to distribute the Special Dividend in recognition of shareholders’ support. Further, the Board believes that with the completion of the Subscription, the net proceeds from the Subscription, after deducting related expenses, are estimated to be approximately HK\$113,206,760, which the Company intends to apply towards the Expansion Plan. This would in turn free up the Company’s internal resources which would have been otherwise ear-marked for the Expansion Plan if the Subscription failed to proceed to completion. Moreover, the Board believes that with the completion of the Subscription, it would strengthen the Group’s long-term strategic relationship with one of the Group’s largest customers, which would in turn encourage a stable increase in purchase orders and sales from such customer. The Board also believes that the Company’s principal bankers would become more confident in the Group’s business prospect with the forthcoming increase in purchase orders and sales from such customer, which would assist in reducing the Group’s credit risk profile and lead the Company’s principal bankers to be more willing to continue and/or increase their financial support to the Group. Furthermore, with the completion of the Subscription and the proceeds therefrom, the Group’s daily operational needs will not be affected by the payment of the Special Dividend. Save for the immaterial expenses incurred as a result of the payment of the Special Dividend, the Board believes that the payment of the Special Dividend out of the Share Premium Account will not have any material adverse effect on the financial position of the Group as a whole. The Directors consider that the declaration and proposed payment of the Special Dividend is in the interests of the Company and the shareholders of the Company as a whole.

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any Special Dividend.

Report of the Directors

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

The executive committee of the Company (the “Executive Committee”) was established on 1 February 2023, which comprises five members. Mr. HONG Gang, a non-executive Director, has been appointed as the chairman of the Executive Committee. Mr. BI Hua, Jeff, an executive Director, Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann and Mr. GUO Kai, the independent non-executive Directors, have been appointed as the members of the Executive Committee.

Mr. ZHU Jia has resigned as an independent non-executive Director, the chairman of the remuneration committee of the Company (the “Remuneration Committee”), and a member of the audit committee of the Company (the “Audit Committee”), the nomination committee of the Company (the “Nomination Committee”) and the Executive Committee for better business opportunities with effect from 27 June 2023. For further details, please refer to the circular of the Company dated 24 May 2023 and the announcement of the Company dated 27 June 2023.

Mr. GUO Kai has been appointed as an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee with effect from 27 June 2023. For further details, please refer to the circular of the Company dated 24 May 2023 and the announcement of the Company dated 27 June 2023.

Mr. LUETH Allen Warren, an independent non-executive Director, has been re-designated from a member of the Remuneration Committee to the chairman of the Remuneration Committee, with effect from 27 June 2023.

Mr. PANG Yiu Kai has resigned as a non-executive Director and a member of the Audit Committee due to his work re-allocation with effect from 22 September 2023. On the even date, Mr. SUN Yanjun ceased to be an alternate Director and an alternate member of the Audit Committee to Mr. PANG Yiu Kai. For further details, please refer to the announcement of the Company dated 25 September 2023.

Mr. WANG Bangsheng has been appointed as a non-executive Director with effect from 30 November 2023. For further details, please refer to the announcement of the Company dated 30 November 2023.

Mr. LUETH Allen Warren has resigned as the chief executive officer of Great Leap Brewing with effect from 18 March 2024. On the even date, Mr. LUETH has been appointed as the chief operating officer of Wellington College China, a company primarily engaged in providing education services in the PRC and the United States of America.

Report of the Directors

EVENTS AFTER THE REPORTING PERIOD

On 25 January 2024, Glorious Sea Global Limited (the “Subscriber”), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement (the “Fund Subscription Agreement”) with Future Strategy GP Limited (the “General Partner”), the general partner for and on behalf of the Cayman Islands exempted limited partnership established by an initial exempted limited partnership agreement entered into between the General Partner and the initial limited partner(s) (the “Limited Partner(s)”) of the Fund (as defined below), with the name Future Strategy Investment Fund Limited Partnership (the “Fund”), pursuant to which, the Subscriber has agreed to make a capital commitment of US\$72 million (equivalent to approximately HK\$561.60 million) for subscription of 90% of the partnership interest owned by a limited partner in the Fund designated as Class A (“Class A Interests”) having the rights set out in the second amended and restated exempted limited partnership agreement dated 25 January 2024 entered into between the General Partner (for itself and in its capacity as the general partner of the Fund) and each Limited Partner, as amended from time to time (the “Limited Partnership Agreement”).

Following the acceptance of the Fund Subscription Agreement by the General Partner and subject to the terms and conditions of the Fund Subscription Agreement, the Subscriber has been admitted as a holder of 90% of Class A Interests in the Fund and bound by the Limited Partnership Agreement.

On the even date, Glorious Sea Holdings Limited (“GSH”), a wholly-owned subsidiary of the Fund, the Company, Greatview Holdings and Greatview Holdings International Limited (the “Target Company”), a wholly-owned subsidiary of Greatview Holdings, entered into a restructuring agreement (the “Restructuring Agreement”). Immediately after completion of the transactions under the Restructuring Agreement, GSH became interested in 51% of the equity interest in the Target Company, and the Group’s interest in the Target Company (holding through Greatview Holdings) was diluted from 100% to 49%. According to Rule 14.29 of the Listing Rules, the relevant dilution is considered to be a deemed disposal of the Company’s interest in a subsidiary.

The consideration of the Restructuring Agreement is approximately RMB389.97 million (equivalent to approximately HK\$429.18 million), which is based on the 51% of the aggregate amount of (i) the unaudited consolidated net assets value of the Target Company as of 30 November 2023 of approximately RMB172 million (equivalent to approximately HK\$189.29 million); and (ii) the principal amount of the interest free loan note issued by the Target Company to Greatview Holdings dated 15 January 2024 of approximately RMB593 million (equivalent to approximately HK\$652.61 million) owed by the Target Company to Greatview Holdings.

The restructuring of the Group’s international business is strategically important to the Group’s continued survival, development and expansion. The Group has received much feedbacks from their customers who have expressed their concerns on the growing geopolitical tensions between the United States of America and European countries and their allies (together the “Western Countries and their Allies”) with mainland China leading to the rising trend of de-risking by customers in the Western Countries and their Allies from mainland China companies, and in particular, the recent change of the single largest and substantial shareholder of the Company to a PRC competitor that competes with the Group, possible changes to the Board and managements, and the possible impact to the Group’s prospect. Certain customers have expressed to the Company that they may cease trading with the Group considering the aforementioned factors.

Report of the Directors

The restructuring paved way for the introduction of a more robust board and local management teams and partners for the Target Company and its subsidiaries (the “Target Group”) that will be working hand in hand with the Fund and its team, and independently from the Board. With this new structure, the Target Group will be able to better cope with the current challenging geopolitical environment and improve its business performance, whilst the Company and its shareholders will also reap benefits from such better performance by maintaining a significant portion in the economic interest of the Target Group. The restructuring will also help the Target Group to build a resilient supply chain and reduce perceived conflicts of interest and enhance client confidence and cohesion. It further facilitates the repositioning of the Target Group’s image in the international market and attracting more branded customers. The Board is of the view that the transactions contemplated under the Fund Subscription Agreement, the Limited Partnership Agreement, the Restructuring Agreement and related ancillary letters (the “Transactions”) are strategically important to the Company and the Target Group, and that the terms of which are fair and reasonable, and in the interests of the Group and the shareholders of the Company as a whole. For further details of the Transactions, please refer to the announcement of the Company dated 29 January 2024.

On 26 January 2024, the Company convened an extraordinary general meeting in response to the requisition notice from Jingfeng dated 27 November 2023, in which Jingfeng requested the Company to convene an extraordinary general meeting for the purpose of considering and, if thought fit, passing the ordinary resolutions to appoint its five candidates as Directors (the “Proposed Appointment”). The Company issued a circular dated 10 January 2024 in which the Board observed seven reasons that the Proposed Appointment would not be in the best interest of the Company and its shareholders. At the extraordinary general meeting convened on 26 January 2024, as no more than 50% of votes were cast in favour of Jingfeng’s proposed ordinary resolutions, all such resolutions were not duly passed as ordinary resolutions.

On 13 March 2024, the Company received another requisition notice from Jingfeng, in which Jingfeng requested the Company to convene an extraordinary general meeting for the purpose of considering and, if thought fit, passing an ordinary resolution to appoint its proposed candidate as non-executive Director. The Board is seeking advice as to the appropriate course of action. For further details of such requisition notice, please refer to the announcements of the Company dated 13 March 2024 and 28 March 2024. Further information will be provided to shareholders of the Company.

On 15 March 2024, the Company also convened an extraordinary general meeting for the shareholders of the Company to consider and if thought fit, pass as an ordinary resolution to grant a specific mandate to the Directors to allot and issue the Subscription Shares and authorise any one or more Directors to do all such acts and things and sign and execute all such documents which he/she/they may consider necessary in connection with the issue and allotment of the Subscription Shares, details of which are further mentioned under the section headed “Significant Investment, Material Acquisitions and Disposals of Subsidiaries and Associated Companies during the Year Ended 31 December 2023, and Future Plans for Material Investment or Acquisition of Capital Assets” in this annual report. At the extraordinary general meeting convened on 15 March 2024, as more than 50% of votes were cast in favour of such proposed ordinary resolution, such resolution was duly passed as an ordinary resolution. All conditions precedent to the Subscription have been fulfilled and the Subscription was completed on 28 March 2024. For further details, please refer to the announcement of the Company dated 28 March 2024.

Save as disclosed above, the Board is not aware of any material events after the reporting period and up to the date of this annual report which requires disclosure.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive, during which period no Share transfers can be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 24 June 2024.

ENTITLEMENT OF PROPOSED SPECIAL DIVIDEND AND FINAL DIVIDEND

The register of members of the Company will be closed from Friday, 5 July 2024 to Tuesday, 9 July 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to ascertain shareholders' entitlement to the proposed Special Dividend and/or the Final Dividend (assuming it is approved by the shareholders at the forthcoming annual general meeting), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 4 July 2024.

AUDITOR

PricewaterhouseCoopers has acted as auditor of the Company for the year ended 31 December 2023.

PricewaterhouseCoopers shall retire in the forthcoming annual general meeting and, being eligible, will offer itself for reappointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. HONG Gang

Chairman

Beijing, the PRC, 28 March 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the annual report of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

During the year under review, the Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the CG Code during the year ended 31 December 2023 and up to the date of this annual report.

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices as set out in Part 2 of the CG Code during the year ended 31 December 2023.

The following is a summary of work performed by the Board in determining the policy for the corporate governance of the Company during the year ended 31 December 2023:

- (1) developed and reviewed the Company’s policies and practices on corporate governance;
- (2) reviewed and monitored the training and continuous professional development of Directors and senior management;
- (3) reviewed and monitored the Company’s policies and practices on compliance with legal and regulatory requirements;
- (4) developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors;
and
- (5) reviewed the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established four Board committees up to the date of this annual report, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee (together, the “Board Committees”). The Board has delegated to the Board Committees’ responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Corporate Governance Report

Board Composition

As of 31 December 2023, the Board comprises seven members, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board comprises the following Directors:

DIRECTORS

Executive Directors

Mr. BI Hua, Jeff (*Chief Executive Officer*)

Mr. CHANG Fuquan

Non-Executive Directors

Mr. HONG Gang (*Chairman*)

Mr. WANG Bangsheng (appointed with effect from 30 November 2023)

Mr. PANG Yiu Kai (resigned with effect from 22 September 2023)

Mr. SUN Yanjun (*alternate to Mr. PANG Yiu Kai*) (resigned with effect from 22 September 2023)

Independent Non-Executive Directors

Mr. LUETH Allen Warren

Mr. BEHRENS Ernst Hermann

Mr. GUO Kai (appointed with effect from 27 June 2023)

Mr. ZHU Jia (resigned with effect from 27 June 2023)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

There is no relationship (including financial, business, family or other material relationship) among members of the Board.

In compliance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing not less than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Corporate Governance Report

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee.

Mr. LUETH Allen Warren and Mr. BEHRENS Ernst Hermann have each served the Board as independent non-executive Directors for more than nine years. Notwithstanding their length of tenure, in view of their wide spectrum of knowledge, extensive business experience and familiarity with the Company's affairs, the Board is of the opinion that they possess the required character, integrity and experience to ensure their independence in order to objectively scrutinise the Company's performance.

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Group's strategies, performance and control, as well as ensure that the interests of all shareholders are considered. In order to ensure that independent views and input from the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regard to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Board adopted the board diversity policy (the "Board Diversity Policy") in accordance with the requirement as sets out in the CG Code.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time in designing the optimum Board's composition.

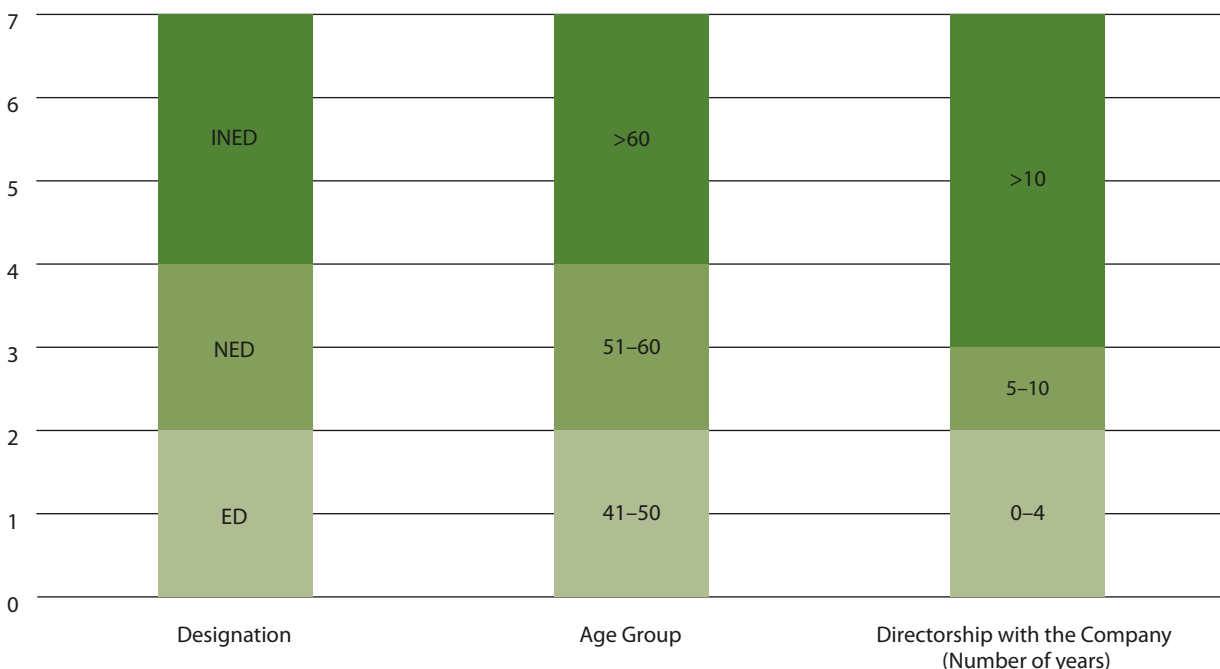
Corporate Governance Report

The Nomination Committee monitors, from time to time and at least annually, the implementation of the Board Diversity Policy, and reviews, as appropriate and at least annually, the policy to ensure its effectiveness. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board. The biographical details of the Directors are set out on pages 23 to 26 of this annual report. In implementing the Board Diversity Policy, the Board aims to have a balanced composition in each of the following areas in the graph below, but recognising at the same time that all Board members' appointments must be based on meritocracy having regard to the best interests of the Company and the shareholders. Furthermore, the Board has a balanced composition of executive Directors, non-executive Directors (including the alternate Director), and independent non-executive Directors. Independent non-executive Directors represent more than one-third of the Board and bring independent views and input to the Board. The Nomination Committee reviews and monitors, from time to time and at least on an annual basis, the implementation and effectiveness of the composition of the Board.

Pursuant to Rule 13.92 of the Listing Rules, the Stock Exchange will not consider diversity to be achieved for a single gender board. Henceforth, the Board will continue to seek a pipeline of potential successors to the Board by identifying and nominating such candidates through the Nomination Committee to achieve greater gender diversity. The Board will appoint at least one female Director on the Board no later than 31 December 2024.

The Group's diversity philosophy, including gender diversity, was generally followed in the workforce throughout the Group for the year ended 31 December 2023. As of the date of this report, approximately 25.8% of our total workforce including senior management are female. The Company has not set any objectives for gender ratio in workforce or in senior management. Appointment is primarily made on merits of the candidate after considering a number of factors including the educational background, professional experience, skills and knowledge of the candidate. Further, as the Group's business is based in the PRC and most of its employees are in the PRC where gender imbalance is serious with more male than female, the Company believes that setting a particular target of gender ratio for its workforce will hinder its flexibility in recruitment. Nevertheless, the Company will continue to endeavour to increase female representation in our workforce.

The following graph provides an analysis on the composition of the Board as at the date of this annual report:



Corporate Governance Report

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. The positions of Chairman and Chief Executive Officer are held by Mr. HONG Gang and Mr. BI Hua, Jeff respectively. Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Appointment and Re-Election of Directors

In accordance with the Articles, all Directors are subject to retirement by rotation at least once every three years at an annual general meeting and the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

None of the Directors has a service contract or letter of appointment which is not determinable by the Group within one year without payment of compensation (other than statutory compensation). For details of the terms of appointment of Directors (including non-executive Directors), please refer to the paragraph headed "Directors' Service Contracts and Letters of Appointment" on page 30 of this annual report.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises three members, namely Mr. HONG Gang (chairman of the Nomination Committee), Mr. BEHRENS Ernst Hermann and Mr. GUO Kai. Mr. HONG Gang is the non-executive Director and Mr. BEHRENS Ernst Hermann and Mr. GUO Kai are the independent non-executive Directors. Mr. ZHU Jia ceased to be a member of the Nomination Committee with effect from 27 June 2023.

The nomination procedure and process involve the Nomination Committee identifying individuals who are suitably qualified to become Board members through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will then make recommendations to the Board on the selection of such individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and objectively against a variety of criteria, having due regard for the benefits of diversity on the Board.

Corporate Governance Report

The following are the roles and functions of the Nomination Committee:

- (a) to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;
- (c) to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make disclosure of its review results annually in the Corporate Governance Report as set out in the Company's annual report;
- (d) to assess the independence of the independent non-executive Directors and to review the independent non-executive Directors' annual confirmations on their independence;
- (e) taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future, to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive;
- (f) to seek independent professional advice to perform its responsibilities where necessary; and
- (g) to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so) and to prepare a summary of its work during the year for inclusion in the Corporate Governance Report (including a report the policies, procedures, process and criteria it has adopted to select and recommend candidates for directorship during the year).

Please refer to the terms of reference of the Nomination Committee published by the Company on 28 December 2018 for further details.

The following is a summary of work performed by the Nomination Committee during the year ended 31 December 2023:

- (1) reviewed the structure, size and composition of the Board, reviewed the Company's policies on nomination of Directors and make recommendations regarding any proposed changes;
- (2) made recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and
- (3) assessed the independence of the independent non-executive Directors.

Corporate Governance Report

There were two meetings of the Nomination Committee held during the year ended 31 December 2023. The attendance records of each member of the Nomination Committee are set out below:

Members	Attendance/ Number of meeting held
Mr. HONG Gang (<i>Chairman</i>)	2/2
Mr. BEHRENS Ernst Hermann	2/2
Mr. GUO Kai (appointed with effect from 27 June 2023)	1/1
Mr. ZHU Jia (resigned with effect from 27 June 2023)	1/1

Induction and Continuing Development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2023 and up to the date of this annual report, all Directors namely Mr. BI Hua, Jeff, Mr. CHANG Fuquan, Mr. HONG Gang, Mr. WANG Bangsheng (appointed with effect from 30 November 2023), Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann, Mr. GUO Kai (appointed with effect from 27 June 2023) have participated in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Directors' and Senior Management's Liability Insurance

The Company has arranged appropriate insurance covering the potential legal actions against its Directors and senior management in connection with the discharge of their responsibilities.

Corporate Governance Report

Board Meetings

Board Practices and Conduct of Meetings

Code provision C.5.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting.

Certain regular Board meetings held during the year ended 31 December 2023 were convened with at least 14 days' notice. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to Directors in advance.

Agenda and board papers together with all necessary information are sent to all Directors at least three days before each regular Board meeting or Board Committees' meeting to keep Directors apprised of the latest developments and financial position of the Company in order to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management attended all regular Board meetings and where necessary, other Board meetings and Board Committees' meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Board secretary and the joint company secretaries are responsible for taking and keeping minutes of all Board meetings and Board Committees' meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Corporate Governance Report

Directors' Attendance Records

There were 15 Board meetings and two general meetings held during the year ended 31 December 2023. The attendance records of each Director at the Board meetings and general meetings during the year ended 31 December 2023 are set out below:

Name of Director	Attendance/Number of meetings held	
	General meeting	Board meeting
<i>Executive Directors</i>		
Mr. BI Hua, Jeff	2/2	15/15
Mr. CHANG Fuquan	2/2	11/15
<i>Non-Executive Directors</i>		
Mr. HONG Gang	2/2	15/15
Mr. WANG Bangsheng (appointed with effect from 30 November 2023)	N/A	N/A
Mr. PANG Yiu Kai (resigned with effect from 22 September 2023)	2/2	12/13
Mr. SUN Yanjun (<i>alternate to Mr. PANG Yiu Kai</i>) (resigned with effect from 22 September 2023)	0/2	1/13
<i>Independent Non-Executive Directors</i>		
Mr. LUETH Allen Warren	1/2	15/15
Mr. BEHRENS Ernst Hermann	1/2	15/15
Mr. GUO Kai (appointed with effect from 27 June 2023)	1/1	4/4
Mr. ZHU Jia (resigned with effect from 27 June 2023)	0/1	5/11

The code provision C.2.7 of the CG Code stipulates that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. There was one meeting held between the Chairman and the independent non-executive Directors during the year ended 31 December 2023.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code.

Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he has complied with the Model Code during the year under review and up to the date of this annual report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2023.

Corporate Governance Report

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. The management provides sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. Approval has to be obtained from the Board prior to any significant transactions entered into by the management. The management also provides to all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

The Board does not delegate matters to the Board Committees, executive Directors or management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions. The Board reviews the arrangements of delegation from time to time to ensure that the delineation between the Board and the management remains appropriate to the needs of the Company.

The Board has established four committees, namely, the Nomination Committee, the Remuneration Committee, the Audit Committee and the Executive Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with defined written terms of reference. The terms of reference of the Nomination Committee, the Remuneration Committee and the Audit Committee are available on both the Company's website and the website of the Stock Exchange. All Board Committees are provided with sufficient resources to discharge their respective duties.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises three independent non-executive Directors, namely, Mr. LUETH Allen Warren (chairman of the Remuneration Committee, re-designated with effect from 27 June 2023), Mr. BEHRENS Ernst Hermann and Mr. GUO Kai and one executive Director, namely, Mr. BI Hua, Jeff. Mr. ZHU Jia ceased to be the chairman of the Remuneration Committee with effect from 27 June 2023.

The primary functions and duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management and to determine the terms of specific remuneration packages of individual executive Directors and the senior management, including benefits in kind, pension rights and compensation payments. The Remuneration Committee is also responsible for establishing formal and transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee also reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives. The Remuneration Committee is provided with sufficient resources to perform its duties.

Corporate Governance Report

The following is a summary of work performed by the Remuneration Committee during the year ended 31 December 2023:

- (1) assessed performance, reviewed and approved the remuneration packages (including year-end bonuses) and service contracts of executive Directors and senior management of the Company; and
- (2) reviewed the remuneration of non-executive Directors and made proposal regarding Directors' fees to the Board for shareholders' approval at the 2023 annual general meeting.

There was one meeting of the Remuneration Committee held during the year ended 31 December 2023. The attendance records of each member of the Remuneration Committee are set out below:

Members	Attendance/ Number of meeting held
Mr. LUETH Allen Warren (<i>Chairman</i>)	1/1
Mr. BEHRENS Ernst Hermann	1/1
Mr. BI Hua, Jeff	1/1
Mr. GUO Kai (appointed with effect from 27 June 2023)	N/A
Mr. ZHU Jia (resigned with effect from 27 June 2023)	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

The Board, with support of the finance and legal teams, is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other applicable statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Audit Committee

As at the date of this annual report, the Audit Committee comprises three members, namely, Mr. LUETH Allen Warren (chairman of the Audit Committee), Mr. BEHRENS Ernst Hermann and Mr. GUO Kai. All members of the Audit Committee are independent non-executive Directors. Mr. ZHU Jia ceased to be a member of the Audit Committee with effect from 27 June 2023. Mr. PANG Yiu Kai ceased to be a member of the Audit Committee with effect from 22 September 2023, and on the even date, Mr. SUN Yanjun ceased to be an alternate to Mr. PANG Yiu Kai as a member of the Audit Committee. Mr. LUETH Allen Warren possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

Corporate Governance Report

The main duties of the Audit Committee include the following:

- (1) to review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;
- (2) to oversee the integrity of financial information of the Company and its disclosure, and review the accounting principles and practices adopted by the Group;
- (3) to assess the independence and qualification of the external auditor, review the relationship with the external auditor by reference to the work performed by the auditor, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;
- (4) to develop and implement policy on engaging an external auditor to supply non-audit services; and
- (5) to review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures, as well as the Company's processes for compliance with the Listing Rules.

During the year under review and up to the date of this annual report, the Audit Committee reviewed the Group's interim results and interim report for the six months ended 30 June 2023, the annual results and annual report for the year ended 31 December 2023, the management letters and reports issued by the external auditor, the accounting principles and practices adopted by the Group, the potential impacts of the change in accounting standards to the Group's financial statements, the financial reporting and compliance procedures, the Group's risk management and internal control systems and processes (including financial, operational and compliance controls), the effectiveness of the internal audit function and the re-appointment of the external auditor.

There were two meetings of the Audit Committee held during the year ended 31 December 2023. The attendance records of each member of the Audit Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. LUETH Allen Warren (<i>Chairman</i>)	2/2
Mr. BEHRENS Ernst Hermann	2/2
Mr. GUO Kai (appointed with effect from 27 June 2023)	1/1
Mr. ZHU Jia (resigned with effect from 27 June 2023)	1/1
Mr. PANG Yiu Kai (resigned with effect from 22 September 2023)	1/2
Mr. SUN Yanjun (<i>alternate to Mr. PANG Yiu Kai</i>) (resigned with effect from 22 September 2023)	1/2

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about its reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 65 to 69 of this annual report.

Corporate Governance Report

During the year ended 31 December 2023 the remuneration for the audit and non-audit services provided to the Group by the external auditor of the Company, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fee amount
	RMB'000
Audit services	
– Annual audit and related services	2,500
Non-audit services	
– Tax filing service	20
Total	2,520

DEALING WITH CONCERNS OF THE GROUP'S CUSTOMERS AND SUPPLIERS

On 27 January 2023, Shandong Xinjufeng entered into an agreement (the "Agreement") with JSH Venture Holdings Limited ("JSH Venture"), a previous substantial shareholder (as defined under the Listing Rules) and the single largest shareholder of the Company. Pursuant to which, JSH Venture conditionally agreed to sell, and Shandong Xinjufeng conditionally agreed to acquire, 377,132,584 Shares at a price of HK\$2.65 per Share for an aggregate consideration of HK\$999,401,347.60 (the "Proposed Disposal"). On 14 September 2023, the Company received a notice from the PRC State Administration for Market Regulation stating that, after having conducted a review, it has decided not to prohibit the proposed acquisition of the Shares by Shandong Xinjufeng. As all conditions under the Agreement have been fulfilled, the Proposed Disposal was completed on 20 September 2023. Accordingly, JSH Venture ceased to hold any shareholding interest in the Company, and Shandong Xinjufeng became a substantial shareholder and the single largest shareholder of the Company.

In light of the fact that the largest customer (and also a shareholder) of Shandong Xinjufeng ("Customer B"), being one of the Group's top five largest customers, is a main competitor of Customer A, the completion of the Proposed Disposal has caused Customer A to raise concerns about continuing to do business with the Group, including concerns regarding the Group's protection of Customer A's confidential information. If Customer A's concerns are not adequately addressed, it will likely harm the Group's business relationship with Customer A, which will have a material adverse effect on the Group and its business and financial position as Customer A is the Group's largest customer. Furthermore, certain customers of the Group have indicated that, as another shareholder of Shandong Xinjufeng is a related party to one of their competitors, they have the same concerns as Customer A and may follow Customer A's decision if Customer A ceases to do business with the Group.

To relieve the concerns regarding the protection of confidential information of Customer A and other customers and stakeholders of the Group, the Board has resolved to adopt certain measures (the "Protection Measures") to protect the interests of the Company, its shareholders, as well as to maintain impartiality and protect the Group's business relationship with its customers and suppliers. One of the Protection Measures is to form the Executive Committee.

Corporate Governance Report

Executive Committee

As at the date of this annual report, the Executive Committee comprises one non-executive Director, namely, Mr. HONG Gang (chairman of the Executive Committee), one executive Director, namely, Mr. BI Hua, Jeff, and three independent non-executive Directors, namely, Mr. LUETH Allen Warren, Mr. BEHRENS Ernst Hermann and Mr. GUO Kai. Mr. ZHU Jia ceased to be a member of the Executive Committee with effect from 27 June 2023. All members of the Executive Committee have no direct or indirect interests in either JSH Venture or Shandong Xinjufeng, and be delegated with full powers of the Board to deal with and resolve all matters relating to the handling of the Group's confidential information and customer and/or supplier related information, response to the concerns of the Group's customers and suppliers, discussions and decisions relating to the aforesaid matters, to ensure better protection of the Group's confidential information and protection of interest of all shareholders of the Company.

The main duties of the Executive Committee include the following:

- (1) dealing with matters relating to the handling of the Group's confidential information and information relating to the customers and/or suppliers of the Group;
- (2) managing and dealing with the relationships between the Company and the customers and/or suppliers of the Group, including communicating with, and responding to and addressing the concerns of the customers and/or suppliers of the Group;
- (3) formulating, implementing, overseeing and/or procuring the implementation of policies regarding protection of confidential information of the Group; and
- (4) formulating, implementing, overseeing and/or procuring the implementation of policies regarding the protection of interests of all shareholders of the Company.

There were three meetings of the Executive Committee held during the year ended 31 December 2023. The attendance records of each member of the Executive Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. HONG Gang (<i>Chairman</i>)	3/3
Mr. BI Hua, Jeff	3/3
Mr. LUETH Allen Warren	3/3
Mr. BEHRENS Ernst Hermann	3/3
Mr. GUO Kai (appointed with effect from 27 June 2023)	1/1
Mr. ZHU Jia (resigned with effect from 27 June 2023)	1/2

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

Risk Management and Internal Control Systems of the Group's Companies

The Board is aware that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives, maintaining adequate risk management and internal control systems to safeguard the investments of our shareholders and the assets of the Company, and reviewing the effectiveness of these systems annually.

The Board oversees the management in designing, implementing and monitoring the risk management and internal control (including financial, operational and compliance controls) systems on an on-going basis, and the management confirms with the Board (which the Board concurs) on the effectiveness and adequacy of these systems. The Board has conducted annual review on the effectiveness and adequacy of the Group's risk management and internal control systems, including changes in the nature and extent of significant risks (including environmental, social and governance risks) since the last annual review, the ability of the Group to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of risks and the internal control system, the work of internal audit function, the extent and frequency of communication of monitoring results to the Board and the Board Committees to enable the assessment of the effectiveness of the Group's risk management and internal control systems, as well as the significant control failings or weaknesses that have been identified during the year and the extent to which they have resulted in a material impact on the Group's financial performance or condition. Based on the foregoing review, the Audit Committee and the Board considered the risk management and internal control systems to be effective and adequate during the year.

The management allocates resources to the risk management and internal control systems with reference to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) standards, manages rather than eliminates the risk of failing to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

Procedures for Identifying, Evaluating and Managing Significant Risks

- Risk context establishment: formulating general risk management policies and division of roles to ensure that the Group carries out and adheres to consistent procedures and criteria for risk identification, evaluation, management, as well as supervision and reporting.
- Risk identification: identifying potential risks in various business segments and key procedures.
- Risk evaluation: evaluating and rating the impact on business and the likelihood of the risks identified.
- Risk response: evaluating the risk management solutions and the effectiveness of risk management.
- Supervision and reporting: supervising and reviewing the policies and assessment procedures of risk management, and the management measures and control effectiveness regarding significant risks, and reporting the findings to the Board.

Corporate Governance Report

The “Three Lines of Defence” Risk Management Model

The risk management of the Group is structured on a “three lines of defence” model so as to establish a comprehensive risk management and internal control system, which is monitored by the Audit Committee.

“The First Line of Defence” — Risk Management

Managers at all levels constitute the first line of defence with appropriate internal control policies, procedures and business standards formulated according to the operational needs of the business to effectively delineate management duties and provide training sessions and guidelines to the staff, and to ensure that the policies are effectively implemented. In case of any changes to the business operation or the managing environment of the Company, such policies will be reviewed and updated accordingly.

“The Second Line of Defence” — Risk Control

The Group has formulated risk management policies, established a risk management group and conducted risk assessment and appraisal activities on a regular basis, which could timely identify and reduce the likelihood and impacts of potential risks on operation management. For any material exposure which may arise, a risk alert and response mechanism has been set up to mitigate potential risks and their impacts.

“The Third Line of Defence” — Independent Assurance

An internal audit department has been set up for the Group’s companies, which conducts independent comprehensive reviews on risk management and internal control of the Group at least once per year and report the result to the Audit Committee. By reviewing the audit work procedures and audit findings performed by the internal audit department, the Audit Committee evaluates the effectiveness of risk management and internal control on behalf of the Board.

2023 Risk Management Review

Summary of Risk Management Initiatives

Implementing effective risk management is a crucial step to achieve the strategic objectives of the Group’s companies. In order to maintain the Company’s long-term sustainable development capacity, advance the implementation of strategic objectives and secure stakeholders’ trust, the Group manages its risks in various business areas, including but not limited to finance, operation, strategy, market, laws and regulation risks. The significant internal control and risk management activities for the year 2023 include:

- Reviewing and enhancing internal control policies and business procedures;
- Reviewing, updating and implementing risk management plans and assessment procedures;
- Identifying, reviewing and analysing the potential risk items in the Group’s business areas, and evaluating their impacts on the business and likelihood of occurrence;
- Reviewing whether the measures and actions taken to control and mitigate key risks are appropriate and achieve expected results;
- Collecting and analysing the results of risk identification, evaluation and management, including risk distribution matrix, risk change analysis chart, control of significant risk items and their expected impacts on business;
- Evaluating overall effectiveness of risk management; and
- The risk management report was submitted to the Board in January 2024 for review and approval.

Corporate Governance Report

Principal Risks and Risk Management

The Group faces a number of principal risks and uncertainties that if not properly managed could create an exposure for the Group. Thorough risk assessment and mitigation help to ensure these risks are well managed and governed effectively.

1. *The Risk Associated with Shareholding Structure*

A significant shareholder of the Company is a competitor to the Company. Influence from significant shareholders with differing goals from the totality of shareholders, including the potential change in Board members, may lead to major changes in the Company's management style and the Board's decision-making functions, which may have a significant negative impact on important business areas such as the international business market. Meanwhile, it may trigger doubts from important partners such as customers, suppliers or banks, as well as the weakening of the Board's functions or the reduction of corporate governance effectiveness, etc., which in turn may affect the development prospects of the Company, and may adversely affect the rights and interests of the Company and its shareholders.

In response to such risks and in order to address the doubts and concerns of the partners, the Company has adopted the following measures to effectively protect the rights and interests of the Company and its shareholders as well as to maintain the business partnership and fairness, including:

- Established and implemented more stringent internal control measures to ensure strict reporting and information control with equal and fair treatment for all of the shareholders, with particular safeguards around customer's and supplier's confidential information;
- Formed an Executive Committee delegated with full powers of the Board to deal with and resolve all matters relating to the handling of the Company's confidential information and the partners' related information, in order to ensure better protection of the Company's confidential information and protection of interest of all shareholders; and
- Passed a Board resolution stating that, to the extent it is within the power of the Directors and subject to applicable laws, regulations and the Listing Rules, the Board will not recommend, nominate or appoint any nomination of any person who is from a competitor of the Company or of a competitor of major customer, as a Director.

Corporate Governance Report

2. *The Risk of High Customer Concentration*

The landscape of domestic UHT liquid milk market in which the Company's key customers are engaged has maintained stable for years, with the top five liquid milk manufacturers accounting for over 70% of the sales in the market, and such feature is expected to persist for a period time. As a result, the Company is also exposed to the risk of high customer concentration.

The Company has adopted a number of measures, for which concrete progress has been achieved, to facilitate the diversification of customers in order to reduce the impacts on the business caused by such risk:

- Maintaining stable strategic cooperative relationships with key customers through excellent supply chain services, technological innovation and project cooperation in the market; and
- Providing quality products and excellent services, actively expanding domestic and international markets, and enlarging the medium-sized customer base.

By the end of 2023, we have properly implemented the above measures and made progress on the back of the measures. Over the years, the Company's market share in sales and major customer groups have remained stable, and both international and domestic medium-sized customers contributed to an increasing share in sales.

3. *The Risk of Exchange Rate Fluctuations in Capital and Procurement and Sales Businesses*

In 2023, both the exchange rate of the USD and the EUR against the RMB have varying degrees of increase, generating a certain impact on the Company's financial results. The Company has adopted various measures to mitigate the adverse impact on profit and loss caused by exchange rate fluctuations, thereby reducing the risk to an acceptable level, including:

- Where practical, having a localisation of purchases and sales of products;
- Creating a certain amount of natural offsets between outstanding payables and receivables in foreign currencies;
- Adjusting the financing strategies of currency management for cash, cash equivalents and debt;
- As appropriate, purchase foreign exchange products from financial institutions to lock in forward exchange rates; and
- Adopting stringent capital management plan, closely monitoring the changes in exchange rates and adjusting business strategies and bank balance of foreign exchange in response to exchange rate fluctuations.

4. *The survival and development risks of the Group's international business being severely affected by the international geopolitical situation*

With the growing geopolitical tensions, the trend of de-risking by customers in the Western Countries and their Allies from Mainland China and PRC companies has been rising, and in particular, there was a recent change of the single largest and substantial shareholder of the Company to a PRC competitor that competes with the Group. International business customers are increasingly concerned about the prospects of cooperation and may consider to cease trading cooperation. The above factors affected the Group's international business and have increased the Group's overall survival and development risks.

In response to such risks, the Group has decided and implemented the restructuring of its international business and established a new business structure and a more robust management team to cope with the challenging geopolitical environment.

Corporate Governance Report

The restructuring will help the Group to build a more resilient supply chain, reduce perceived conflicts of interest, reposition the Group's image in the international market, enhance client confidence and cohesion, and attract more high-quality customers and partners and the Group and shareholders will also reap benefits from better performance.

Evaluation of Risk Review

Operating an appropriate and effective risk management and internal control system is essential to achieving the Group's strategic objectives and maintaining product and service delivery targets. The Company has established and continuously optimised its risk management and internal control mechanisms, and the awareness of risk management among all staff has been enhanced. The optimisation of the Company's management strategy, technological and service advances, and the effectiveness of internal controls have all contributed well to the overall risk management.

In recent years, the Company's significant risks have been mainly caused by external factors, such as changes in major shareholders, high concentration of downstream markets in the industry as well as exchange rate fluctuations and international geopolitical tensions. Effective tailor-made mitigation measures to reduce and control major risks were adopted properly by the Board and management with fruitful outcomes, fully safeguarding the interests of the Company and its shareholders. For specific risk factors unlikely to be eliminated through management and control, their residual risks were maintained at an acceptable level.

Inside Information Processing Procedures and Internal Control Measures

The Company has formulated corresponding policies for the procedures for handling and publishing inside information and internal control measures. These policies stipulate the responsibilities for the disclosure of inside information, restrictions on non-public information, handling of rumours, non-intentional selective disclosure, exemption and waiver of disclosure of inside information, as well as compliance and reporting procedures.

Among them, any employee of the Company who knows that any project, transaction or event may constitute inside information should immediately notify the chief financial officer or the director of investor relations, who will report to the Company's management and the Board, and they will determine whether it constitutes inside information, and determine whether to disclose to the public in accordance with the SFO. These policies and their effectiveness are reviewed regularly in accordance with established procedures.

Whistleblowing Policy

The Company has a whistleblowing policy and system in place for employees and those who deal with the Company (such as customers and suppliers) to raise concerns in confidence and anonymity. For further details, please refer to the Corporate Sustainability Report.

Anti-corruption Policy

The Company has established anti-corruption policy and system that promote and support anti-corruption laws and regulations. For further details, please refer to the Corporate Sustainability Report.

Review of Adequacy of Resources

During the year under review, the Board has reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions, as well as those relating to the Company's environmental, social and governance performance and reporting.

Corporate Governance Report

JOINT COMPANY SECRETARIES

Ms. QI Zhaohui, an employee of the Group who has day-to-day knowledge of the Company's affairs, was appointed as the joint company secretary of the Company on 27 March 2019. Mr. LEUNG Chi Kit, a manager of the listing services department of TMF Hong Kong Limited, was appointed as the joint company secretary of the Company on 1 June 2022. The primary corporate contact person of Mr. LEUNG Chi Kit at the Company is Ms. QI Zhaohui, the joint company secretary of the Company. The joint company secretaries report to the Chairman and/or the Chief Executive Officer.

In compliance with Rule 3.29 of the Listing Rules, each of Ms. QI Zhaohui and Mr. LEUNG Chi Kit has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2023.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company adopts a shareholders' communication policy (the "Shareholders' Communication Policy") which aims at establishing a two-way relationship and communication between the Company and the shareholders. The Shareholders' Communication Policy sets out the Group's commitment of maintaining an effective ongoing dialogue with the shareholders. All shareholders' communications are available on the Company's website at www.greatviewpack.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information of the Group, including annual and interim reports, announcements and press releases, is updated on the Company's website in a timely fashion. The website of the Company also provides email addresses, postal addresses, fax numbers and telephone numbers by which shareholders' enquiries may be put to the Board.

The Company has conducted the annual review of the implementation and effectiveness of the Shareholders' Communication Policy and concluded that the policy was implemented effectively during the year ended 31 December 2023.

The 2024 annual general meeting of the Company ("AGM") will be held on Friday, 28 June 2024. The notice of AGM will be sent to shareholders at least 21 clear days before the AGM.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in or add resolution(s) to such requisition, and such meeting shall be held within two months after the deposit of such requisition.

Such a requisition must be signed by the shareholders.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the company secretary by written requisition at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at the Company's headquarter in the PRC at A1-4/2F, No. 14 Jiuxianqiao Road, Chaoyang District, Beijing 100015, the PRC.

Corporate Governance Report

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the company secretary at the Company's principal place of business office in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or at the Company's headquarter in the PRC at A1-4/2F, No. 14 Jiuxianqiao Road, Chaoyang District, Beijing 100015, the PRC.

CONSTITUTIONAL DOCUMENTS

On 25 August 2023, the shareholders of the Company have approved the proposed amendments to the previous second amended and restated articles of association of the Company (the "Previous Articles") at the extraordinary general meeting and adopted the third amended and restated articles of association of the Company (the "Current Articles") in substitution for and to the exclusion of the Previous Articles by way of a special resolution with effect from 25 August 2023.

The Current Articles have been updated for the purposes of bringing the Articles in alignment with Appendix A1 of the Listing Rules which has come into effect on 1 January 2022, as well as to make certain other housekeeping amendments. The full text of the Current Articles is available on both the websites of the Company and the Stock Exchange.

Save as disclosed above, there is no other change in the Company's constitutional documents during the year ended 31 December 2023 and up to the date of this annual report.

On behalf of the Board

Mr. HONG Gang

Chairman

Beijing, the PRC, 28 March 2024

Independent Auditor's Report

To the Shareholders of Greatview Aseptic Packaging Company Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Greatview Aseptic Packaging Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 70 to 130, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report

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.

The key audit matter identified in our audit is related to "Impairment assessment of goodwill".

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of goodwill</p> <p>Refer to note 4, note 8 and note 36.6 to the consolidated financial statements.</p> <p>For the purpose of the annual impairment assessment of goodwill, management determined the recoverable amounts of all the Group's goodwill based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's cash generating units ("CGUs").</p> <p>We focus on this area due to the magnitude of the carrying amount of the asset (RMB48 million as at 31 December 2023) and the fact that significant judgements were required by the management to make key estimation, including forecast revenue growth rate, perpetual growth rate, and discount rate used in the future cash flow forecast for the determination of recoverable amount.</p>	<p>In response to this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • Understood and evaluated the key controls relating to management's assessment on the impairment of goodwill. • Evaluated the competency, capabilities and objectivity of the independent external valuer engaged by management by checking the valuer's related qualification and credentials. • Tested the consistency and reasonableness of the data used and challenged management's key assumptions adopted in the future cash flow forecasts, mainly in relation to: <ul style="list-style-type: none"> – revenue growth rate, by comparing with industry historical growth rate and economic forecasts; – perpetual growth rate, by comparing with the relevant economic and industry forecasts, including certain forecasts sourced from external parties. • Evaluated the historical estimation accuracy of the cash flow forecast by comparing the forecast used in the prior year to the actual performance of the subsidiaries' businesses in the current year. • Involved our internal valuation expert in assessing the appropriateness of certain significant assumptions used (including the discount rate) and the valuation methodology used. • Tested the mathematical accuracy of the calculations of the recoverable amounts of these CGUs. • Evaluated management's sensitivity calculation over the recoverable amounts of these CGUs. Focusing on those few key assumptions to which the calculation was most sensitive, we calculated the degree to which each of these key assumptions would need to change before an impairment conclusion was triggered and discussed the likelihood of such a movement with management. <p>Based on the above, we considered that management's judgements and assumptions applied in the impairment assessment of goodwill were supportable by the evidence obtained and procedures performed.</p>

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 IFRS Accounting Standards 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.

The Audit Committee is 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. We report our opinion solely to you, as a body 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 ISAs 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.

Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.
- 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.

Independent Auditor's Report

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Wong Ka On.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 March 2024

Consolidated Statement of Financial Position

As at 31 December 2023

Amounts expressed in thousands of RMB except for share data

	Note	As at 31 December	
		2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,185,136	1,195,950
Right-of-use assets	7	65,461	56,957
Intangible assets	8	59,292	61,411
Deferred income tax assets	19	38,929	41,853
Trade receivables	10	44,091	26,537
Prepayments	11	2,455	10,001
		1,395,364	1,392,709
Current assets			
Inventories	9	859,912	1,181,862
Trade and notes receivables	10	660,983	739,926
Prepayments	11	14,955	21,995
Other receivables	11	32,739	28,802
Cash and cash equivalents	12(a)	866,658	607,439
Restricted cash	12(b)	197,757	306,920
		2,633,004	2,886,944
Total assets		4,028,368	4,279,653
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and capital reserve	13	551,458	551,458
Statutory reserve	14	325,966	309,087
Retained earnings	15	2,066,891	1,839,556
Exchange reserve		(42,820)	(80,177)
Total equity		2,901,495	2,619,924

Consolidated Statement of Financial Position

As at 31 December 2023

Amounts expressed in thousands of RMB except for share data

	Note	As at 31 December 2023	2022
LIABILITIES			
Non-current liabilities			
Deferred government grants	16	49,642	54,476
Lease liabilities	7	15,179	6,602
Deferred income tax liabilities	19	19,796	11,473
		84,617	72,551
Current liabilities			
Deferred government grants	16	7,211	6,844
Contract liabilities		51,468	111,478
Trade payables, other payables and accruals	17	794,946	1,205,531
Income tax liabilities		36,108	29,383
Borrowings	18	140,823	223,561
Lease liabilities	7	11,700	10,381
		1,042,256	1,587,178
Total liabilities		1,126,873	1,659,729
Total equity and liabilities		4,028,368	4,279,653

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 70 to 130 were approved by the Board on 28 March 2024 and were signed on its behalf.

Director
Bi Hua, Jeff

Director
Chang Fuquan

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

Amounts expressed in thousands of RMB except for share data

	Note	Year ended 31 December	
		2023	2022
Revenue	5	3,816,679	3,937,011
Cost of sales	22	(3,135,568)	(3,349,048)
Gross profit		681,111	587,963
Other income	20	54,982	67,354
Other gains/(losses) – net	21	12,401	(546)
Impairment losses on financial assets		(7,985)	(3,086)
Distribution expenses	22	(226,380)	(254,426)
Administrative expenses	22	(194,488)	(169,776)
Operating profit		319,641	227,483
Finance income	24	12,099	10,752
Finance costs	24	(7,599)	(5,443)
Finance income – net		4,500	5,309
Profit before income tax		324,141	232,792
Income tax expense	25	(79,927)	(50,395)
Profit for the year		244,214	182,397
Profit attributable to:			
Owners of the Company		244,214	182,397
Non-controlling interests		–	–
		244,214	182,397
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		37,357	17,493
Total comprehensive income for the year		281,571	199,890
Total comprehensive income attributable to:			
Owners of the Company		281,571	199,890
Non-controlling interests		–	–
		281,571	199,890
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted earnings per share	26	0.18	0.14

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
Amounts expressed in thousands of RMB except for share data

	Share capital (Note 13)	Share premium (Note 13)	Capital reserve (Note 13)	Statutory reserve (Note 14)	Exchange reserve	Retained earnings (Note 15)	Total
As at 1 January 2022	11,442	416,418	123,598	296,211	(97,670)	1,670,035	2,420,034
Comprehensive income:							
Profit for the year	-	-	-	-	-	182,397	182,397
Other comprehensive income:							
Currency translation differences	-	-	-	-	17,493	-	17,493
Share based payments	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	12,876	-	(12,876)	-
As at 31 December 2022 and 1 January 2023	11,442	416,418	123,598	309,087	(80,177)	1,839,556	2,619,924
Profit for the year	-	-	-	-	-	244,214	244,214
Other comprehensive income:							
Currency translation differences	-	-	-	-	37,357	-	37,357
Transfer to statutory reserve	-	-	-	16,879	-	(16,879)	-
As at 31 December 2023	11,442	416,418	123,598	325,966	(42,820)	2,066,891	2,901,495

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

Amounts expressed in thousands of RMB except for share data

	Note	Year ended 31 December	
		2023	2022
Cash flows from operating activities			
Cash generated from operations	27	511,801	407,616
Interest paid		(7,599)	(5,443)
Income tax paid		(61,955)	(56,987)
Net cash generated from operating activities		442,247	345,186
Cash flows from investing activities			
Purchases of property, plant and equipment ("PP&E")		(102,659)	(87,637)
Proceeds from disposal of PP&E		1,459	195
Purchases of intangible assets		(1,697)	(948)
Purchases of financial assets at fair value through profit or loss		(895,300)	(448,300)
Disposals of financial assets at fair value through profit or loss		898,136	450,002
Interest received		10,564	8,227
Net cash used in investing activities		(89,497)	(78,461)
Cash flows from financing activities			
Proceeds from borrowings		106,043	294,778
Repayments of borrowings		(190,114)	(374,615)
Principal elements of lease payments		(10,995)	(7,216)
Net cash used in financing activities		(95,066)	(87,053)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		607,439	425,242
Exchange losses on cash and cash equivalents		1,535	2,525
Cash and cash equivalents at end of year		866,658	607,439

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
Amounts expressed in thousands of RMB except for share data

1 GENERAL INFORMATION

Greatview Aseptic Packaging Company Limited (the “Company”) was incorporated in the Cayman Islands on 29 July 2010 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the “Group”) are principally engaged in the business of manufacturing, distribution and selling of paper packaging and filling machines to dairy and non-carbonated soft drink (“NCSD”) producers.

The Company’s ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 December 2010.

The consolidated financial statements are presented in Renminbi (“RMB”) and rounded to nearest thousand yuan, unless otherwise stated.

2 BASIS OF PREPARATION

(a) Compliance with IFRS and disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards and the disclosure requirements of Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

(c) New and amended standards and annual improvements adopted by the Group

The group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Except for the Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12, the amendments listed above did not have any impact on the amounts recognised in prior periods or current period and are not expected to significantly affect future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

Amounts expressed in thousands of RMB except for share data

2 BASIS OF PREPARATION (CONTINUED)

(c) New and amended standards and annual improvements adopted by the Group (continued)

The amendments to IAS 12 Income Taxes require the recognition of deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities. The Group therefore changed its accounting policies as a result of adopting this amendment to IAS 12. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2023. There was no impact on retained earnings on 1 January 2023.

	Year ended 31 December	
	2023	2022
Deferred income tax assets	6,570	4,182
Deferred income tax liabilities	(6,570)	(4,182)

(d) New standards, amendments and interpretations issued but not yet adopted

	Effective for accounting periods beginning on or after
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Supplier finance arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group's exposure to foreign exchange risk mainly arises from various currency exposures, primarily with respect to the United States Dollars ("US\$"), Hong Kong Dollars ("HK\$") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

At 31 December 2023, if RMB had weakened/strengthened by 5% (2022: 5%) against US\$ with all other variables held constant, post-tax profit for the year then ended would have been RMB2,755,000 (2022: RMB4,045,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US\$-denominated trade receivables, cash and cash equivalents and foreign exchange losses/gains on translation of US\$-denominated trade payables and borrowings.

At 31 December 2023, if RMB had weakened/strengthened by 5% (2022: 5%) against HK\$ with all other variables held constant, post-tax profit for the year then ended would have been RMB1,302,000 (2022: RMB2,012,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$-denominated trade receivables, cash and cash equivalents and foreign exchange losses/gains on translation of HK\$-denominated trade payables.

At 31 December 2023, if RMB had weakened/strengthened by 5% (2022: 5%) against EUR with all other variables held constant, post-tax profit for the year then ended would have been RMB676,000 (2022: RMB1,811,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR-denominated trade receivables, cash and cash equivalents and foreign exchange losses/gains on translation of EUR-denominated trade payables.

(ii) Interest rate risk

The Group's exposure to interest rate risk arises mainly from cash and cash equivalents and borrowings. Cash and cash equivalents and borrowings at fixed rates expose the Group to fair value interest-rate risk, and those at floating rates expose the Group to cash flow interest-rate risk. The Group regularly monitors its interest rate risk to ensure there is undue exposure to significant interest rate movements.

At 31 December 2023, if interest rates on the variable borrowings had been 10 basis points higher/lower with all other variables held constant, post tax profit for the year would have been RMB118,000 (2022: RMB147,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2023, if interest rates on cash and cash equivalents had been 10 basis points higher/lower with all other variables held constant, post tax profit for the year would have been RMB517,000 (2022: RMB245,000) higher/lower, mainly as a result of higher/lower interest income on floating interest rate.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, trade receivables, notes receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned, or reputable financial institutions in mainland China and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from notes receivables, the Group only accepts bank acceptance notes issued by reputable banks located in PRC, and the Group believes the credit risk of these banks is relatively low.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivables balances due from them is not significant.

(ii) Impairment of financial assets

The Group has several types of financial assets that are subject to the expected credit loss model:

- trade receivables, and
- other receivables.

While cash and cash equivalents, restricted cash and notes receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24-36 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Consumer Price Index, Gross Domestic Product, Broad Money Supply, and Industrial Production Added Value of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables:

	Lifetime expected credit loss rate	Gross carrying amount of certain debtor(s)	Lifetime expected certain loss	Net carrying amount
As at 31 December, 2023				
Receivable from PRC Client				
Provision on individual basis	100.00%	9,077	(9,077)	–
Provision on collective basis	0.32%	361,230	(1,154)	360,076
Receivable from Overseas Client				
Provision on individual basis	99.05%	21,353	(21,150)	203
Provision on collective basis	0.46%	335,737	(1,555)	334,182
		727,397	(32,936)	694,461

	Lifetime expected credit loss rate	Gross carrying amount of certain debtor(s)	Lifetime expected certain loss	Net carrying amount
As at 31 December, 2022				
Receivable from PRC Client				
Provision on individual basis	98.32%	7,852	(7,720)	132
Provision on collective basis	0.56%	469,375	(2,607)	466,768
Receivable from Overseas Client				
Provision on individual basis	81.08%	20,087	(16,286)	3,801
Provision on collective basis	0.84%	272,463	(2,287)	270,176
		769,777	(28,900)	740,877

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables

For other receivables, management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and forward looking information. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding other receivables balances due from them is not significant.

(c) Liquidity risk

Liquidity risk management is to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The Group maintains unutilised banking facilities to manage its working capital requirements (Note 18).

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount liabilities
At 31 December 2023					
Borrowings	141,500	-	-	141,500	140,823
Trade and other payables	737,620	-	-	737,620	737,620
Lease liabilities	12,730	8,344	7,667	28,741	26,879
Total	891,850	8,344	7,667	907,861	905,322

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount liabilities
At 31 December 2022					
Borrowings	225,670	-	-	225,670	223,561
Trade and other payables	1,155,072	-	-	1,155,072	1,155,072
Lease liabilities	7,263	7,255	3,580	18,098	16,983
Total	1,388,005	7,255	3,580	1,398,840	1,395,616

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new share or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total capital. Total debt is calculated as interest bearing "borrowings" as shown in the consolidated statement of financial position. Total capital is calculated as "equity" as shown in the consolidated statement of financial position.

The Group's general strategy which was unchanged from 2020 is to maintain gearing ratio of less than 50%. The gearing ratio as at 31 December 2023 and 2022 were as follows:

	As at 31 December	
	2023	2022
Total debt	140,823	223,561
Total equity	2,901,495	2,619,924
Gearing ratio	5%	9%

The total debt to equity ratio decreased from 9% to 5% due to the repayment of borrowings. See note 18 for further information.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. The Group has no balance of financial instruments as at 31 December 2023.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Financial assets at fair value through profit or loss are wealth management products. Specific valuation techniques used to value these financial instruments include discounted cash flow analysis and quoted market prices of dealer quotes for similar instruments.

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 31 December 2023:

	Wealth management product
As at 1 January 2022	–
Additions	448,300
Settlements	(450,002)
Changes in fair value (Note 21)	1,702
As at 31 December 2022	–
Additions	895,300
Settlements	(898,136)
Changes in fair value (Note 21)	2,836
As at 31 December 2023	–

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amounts of cash-generating units ("CGUs") is determined based on value-in-use calculations, which requires the use of assumptions.

The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the growth rates as estimated by management by reference to certain internal and external market data. Details of key assumptions are disclosed in note 8.

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5 REVENUE AND SEGMENT INFORMATION

5.1 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The operating segments are based on sales generated by geographical areas. The segment information provided to the Executive Directors is as follows:

	PRC	International	Total
2023			
Revenue	2,166,935	1,649,744	3,816,679
Inter-segment revenue	–	–	–
Revenue from external customers	2,166,935	1,649,744	3,816,679
Cost of sales	(1,730,932)	(1,404,636)	(3,135,568)
Segment results	436,003	245,108	681,111
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	37,490	57,049	94,539
2022			
Revenue	2,519,991	1,417,020	3,937,011
Inter-segment revenue	–	–	–
Revenue from external customers	2,519,991	1,417,020	3,937,011
Cost of sales	(2,127,865)	(1,221,183)	(3,349,048)
Segment results	392,126	195,837	587,963
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	16,622	9,053	25,675

Notes to the Consolidated Financial Statements

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5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5.1 Segment information *(continued)*

A reconciliation of total segment results to total profit for the year is provided as follows:

	Year ended 31 December	
	2023	2022
Segment results for reportable segments	681,111	587,963
Other income	54,982	67,354
Other gains/(losses) – net	12,401	(546)
Impairment losses on financial assets	(7,985)	(3,086)
Distribution expenses	(226,380)	(254,426)
Administrative expenses	(194,488)	(169,776)
Operating profit	319,641	227,483
Finance income	12,099	10,752
Finance costs	(7,599)	(5,443)
Finance income – net	4,500	5,309
Profit before income tax	324,141	232,792
Income tax expense	(79,927)	(50,395)
Profit for the year	244,214	182,397
Depreciation and amortisation charges	(151,635)	(142,421)

Information on segment assets and liabilities are not disclosed as this information is not presented to the Executive Directors as they do not assess performance of reportable segments using information on assets and liabilities. The non-current assets excluding deferred income tax assets amount to RMB1,356,435,000 (2022: RMB1,350,856,000).

Notes to the Consolidated Financial Statements

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5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5.2 Revenue from contracts with customers

The following table presents sales generated from packaging materials, filling machines and digital services:

	Year ended 31 December	
	2023	2022
Packaging materials		
– Dairy products	2,953,697	3,115,165
– NCSD products	813,202	777,376
Filling machines	44,430	40,142
Digital services	5,350	4,328
	3,816,679	3,937,011

During the year ended 31 December 2023, revenue from 1 (2022: 2) customer accounted for 10% or more of the Group's total external revenue. These revenues are all attributable to the revenue of dairy products. The revenue from this customer is summarised below:

	Year ended 31 December	
	2023	2022
Customer A	1,066,181	1,195,665

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5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

5.3 Accounting policies of revenue recognition

(a) Sales of goods

The Group produces and sells liquid food aseptic packaging materials and filling machines in the market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume rebates based on aggregate sales over a specific period as defined in the contracts. Revenue from sales are based on the price specified in the sales contracts, net of the estimated volume rebates at the time of sale. Accumulated experience is used to estimate and provide for the rebates, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Expected rebates payable to customer (included in trade payables, other payables and accruals) in relation to sales made until the end of reporting period are assessed based on actual annual purchases.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Financing components

The Group does not expect to have any contract containing financing components. As a consequence, the Group does not adjust any of the transition prices for the time value of money.

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6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery	Vehicles and office equipment	Construction in progress	Leasehold improvements	Total
Cost						
As at 1 January 2022	696,748	1,575,782	65,745	130,740	1,607	2,470,622
Acquisition of subsidiaries	2,415	37,197	746	206	–	40,564
Additions	–	–	722	47,052	–	47,774
Transfer upon completion	20,132	86,926	802	(107,860)	–	–
Disposals	–	(399)	(1,440)	–	–	(1,839)
Exchange differences	7,055	10,421	1,043	455	46	19,020
As at 31 December 2022	726,350	1,709,927	67,618	70,593	1,653	2,576,141
Additions	–	–	3,133	97,949	–	101,082
Transfer upon completion	17,242	26,838	–	(44,080)	–	–
Disposals	–	(8,818)	(2,714)	–	–	(11,532)
Exchange differences	16,200	25,399	1,651	885	99	44,234
As at 31 December 2023	759,792	1,753,346	69,688	125,347	1,752	2,709,925
Accumulated depreciation						
As at 1 January 2022	(175,693)	(1,009,478)	(60,229)	–	(1,522)	(1,246,922)
Charge for the year	(25,527)	(96,757)	(4,414)	–	(116)	(126,814)
Disposals	–	184	1,362	–	–	1,546
Exchange differences	(1,943)	(5,122)	(921)	–	(15)	(8,001)
As at 31 December 2022	(203,163)	(1,111,173)	(64,202)	–	(1,653)	(1,380,191)
Charge for the year	(27,804)	(103,828)	(3,397)	–	–	(135,029)
Disposals	–	7,399	2,494	–	–	9,893
Exchange differences	(4,736)	(13,104)	(1,523)	–	(99)	(19,462)
As at 31 December 2023	(235,703)	(1,220,706)	(66,628)	–	(1,752)	(1,524,789)
Net book value						
As at 31 December 2022	523,187	598,754	3,416	70,593	–	1,195,950
As at 31 December 2023	524,089	532,640	3,060	125,347	–	1,185,136

Notes to the Consolidated Financial Statements

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2023	2022
Cost of sales	131,204	121,157
Administrative expenses	3,646	5,453
Distribution expenses	179	204
	135,029	126,814

- (b) The Group's property, plant and equipment are located in the PRC and Europe.

As at 31 December 2023, the net book value of property, plant and equipment located in Europe was approximately RMB462,579,000 (as at 31 December 2022: RMB425,961,000).

- (c) Construction in progress as at 31 December 2023 mainly comprises new equipment being constructed in Shandong Province and Inner Mongolia in the PRC, and Germany in the Europe.
- (d) Accounting policy of property, plant and equipment

Except for the freehold land with indefinite useful life and construction in progress, all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land with indefinite useful life is stated at historical cost less impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Freehold land in Europe is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

Land and buildings	15-33 years
Machinery	5-15 years
Vehicles and office equipment	4-8 years
Leasehold improvements	Shorter of remaining lease term or useful life

Construction in progress is property, plant and equipment on which construction work has not been completed and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery installation, testing and other direct costs. Depreciation is not provided on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets being constructed are ready for their intended use, the costs are transferred to the appropriate categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 36.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the consolidated statement of comprehensive income.

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7 LEASE

(a) Amounts recognized in the balance sheet

The balance sheet shows the following amount relating to lease:

	As at 31 December	
	2023	2022
Right-of-use assets		
Land use rights	39,558	40,588
Buildings	25,619	15,889
Office equipment	284	480
	65,461	56,957
Lease liabilities		
– Current	11,700	10,381
– Non-current	15,179	6,602

(b) Amount recognized in the statement of profit or loss

	Year ended 31 December	
	2023	2022
Depreciation charge of right-of-use assets (Note 22)	12,387	8,561
Interest expense on lease liability (Note 24)	1,553	923
Rental expense for short-term and low value leases (Note 22)	2,460	3,201

The total cash outflow for leases for the year ended 31 December 2023 was RMB12,544,000 (2022: RMB8,139,000).

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7 LEASE (CONTINUED)

(c) The movements during the years ended 31 December 2023 and 31 December 2022 are set out below:

	Land use rights	Buildings	Office equipment	Total
Net book value at 1 January 2022	41,617	21,695	689	64,001
Additions	–	1,517	–	1,517
Depreciation	(1,029)	(7,323)	(209)	(8,561)
Net book value at 31 December 2022	40,588	15,889	480	56,957
Net book value at 1 January 2023	40,588	15,889	480	56,957
Additions	–	21,172	–	21,172
Modification of leasing contracts	–	(281)	–	(281)
Depreciation	(1,030)	(11,161)	(196)	(12,387)
Net book value at 31 December 2023	39,558	25,619	284	65,461

(d) The Group's leasing activities

The Group has leased several assets for buildings and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Tenures of the leases range from 1 to 5 years.

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8 INTANGIBLE ASSETS

	Goodwill	Computer Software	Trademarks	Patent and others	Total
Cost					
As at 1 January 2022	64,721	47,753	428	22,697	135,599
Additions	–	948	–	–	948
Exchange differences	–	586	–	–	586
As at 31 December 2022	64,721	49,287	428	22,697	137,133
Additions	–	1,697	–	–	1,697
Exchange differences	–	1,306	–	–	1,306
As at 31 December 2023	64,721	52,290	428	22,697	140,136
Accumulated amortisation and impairment					
As at 1 January 2022	(6,736)	(34,378)	(428)	(6,792)	(48,334)
Amortisation	–	(3,911)	–	(3,135)	(7,046)
Impairment	(10,211)	–	–	(9,772)	(19,983)
Exchange differences	–	(359)	–	–	(359)
As at 31 December 2022	(16,947)	(38,648)	(428)	(19,699)	(75,722)
Amortisation	–	(3,468)	–	(751)	(4,219)
Exchange differences	–	(903)	–	–	(903)
As at 31 December 2023	(16,947)	(43,019)	(428)	(20,450)	(80,844)
Net book value					
As at 31 December 2022	47,774	10,639	–	2,998	61,411
As at 31 December 2023	47,774	9,271	–	2,247	59,292

During the year ended 31 December 2023, amortisation of RMB4,219,000 were charged to administrative expenses.

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8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill

Goodwill is monitored by management at the level of the following two CGUs:

	As at 31 December 2023
Packaging business – GA Shandong, GA Beijing and GA Inner Mongolia (i)	47,774
Greatdata (ii)	–
	47,774

- (i) The goodwill arose from acquisition of Greatview Aseptic Packaging (Shandong) Co., Ltd. (“GA Shandong”) in January 2005. The goodwill is monitored by the Group at the level of cash-generated units (“CGUs”) which contain GA Shandong, Greatview Beijing Trading Co.,Ltd. (“GA Beijing”) and Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd. (“GA Inner Mongolia”), as GA Shandong’s business was partially transferred to GA Beijing and GA Inner Mongolia after acquisition, all these entities are included in the PRC operating segment.
- (ii) The goodwill arose from the acquisition of Beijing Greatdata Technology Co., Ltd. (“Greatdata”) on 1 November 2019. And full impairment of goodwill was recognized in the past years, based on the Group’s strategy and business operation assessment.

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period using estimated growth rates which are based on past performance and their expectations of future development. Cash flows within the five-year period are extrapolated using the estimated growth rates stated below.

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8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill *(continued)*

The following table sets out the key assumptions for those CGUs with goodwill allocated to them:

	Packaging business – GA Shandong, GA Beijing and GA Inner Mongolia
2023	
Revenue growth rate for next 5 years	4.0%
Perpetuity growth rate	1.5%
Pre-tax discount rate	13.7%
2022	
Revenue growth rate for next 5 years	4.8%
Perpetuity growth rate	2.0%
Pre-tax discount rate	15.3%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determine values
Revenue growth rate for next 5 years	Revenue growth rate is for the five-year forecast period. It is based on past performance and management's expectations of market development.
Perpetuity growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	The discount rate reflects specific risks relating to the relevant CGUs in which they operate.

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8 INTANGIBLE ASSETS (CONTINUED)

(b) Impact of possible changes in key assumptions

Packaging business – GA Shandong, GA Beijing and GA Inner Mongolia CGU:

As at 31 December 2023, the recoverable amount of GA Shandong, GA Beijing and GA Inner Mongolia CGU is estimated exceed the carrying amount of the CGU. The recoverable amount of this CGU would equal its carrying amount of the key assumptions were to change as follows:

	2023	
	From	To
Revenue growth rate for next 5 years	4.0%	3.3%
Perpetuity growth rate	1.5%	-5.5%
Pre-tax discount rate	13.7%	18%

(c) Accounting policy of Intangible assets

(i) Goodwill

Goodwill is measured as described in note 36.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 to 10 years.

(iii) Trademarks, patents and other intangible assets

Separately acquired trademarks, patents and other intangible assets are shown at historical cost. Trademarks, patents and other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation and impairment losses (if any). Amortisation is calculated using the straight-line method to allocate the cost of trademarks, patents and other intangible assets over their estimated useful lives of 5 to 10 years.

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9 INVENTORIES

	As at 31 December	
	2023	2022
Raw materials	678,440	980,114
Work in progress	17,041	35,343
Finished goods	196,075	194,372
	891,556	1,209,829
Less: Provision for obsolescence		
– Raw materials	(25,162)	(21,885)
– Finished goods	(6,482)	(6,082)
	859,912	1,181,862

- (a) The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB3,116,158,000 for the year ended 31 December 2023 (2022: RMB3,312,030,000).
- (b) Inventory provision and the amount reversed have been included in cost of sales in the consolidated statement of comprehensive income for the years ended 31 December 2023 and 2022.
- (c) Accounting policy of inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is assigned to individual items of inventory on the basis of weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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10 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2023	2022
Trade receivables – gross	727,397	769,777
Less: Provision for impairment of trade receivables	(32,936)	(28,900)
Trade receivables – net	694,461	740,877
Notes receivables	10,613	25,586
Less non-current portion: Trade receivables	(44,091)	(26,537)
	660,983	739,926

Customers are normally granted credit term within 90 days. As at 31 December 2023 and 2022, the aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2023	2022
Trade receivables – gross		
0-90 days	550,095	637,310
91-180 days	57,361	49,976
181-365 days	27,724	11,463
Over 365 days	92,217	71,028
	727,397	769,777

The Group does not hold any collateral as security.

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10 TRADE AND NOTES RECEIVABLES (CONTINUED)

(a) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1 provides for details about the calculation of the allowance.

Movement in the allowance for impairment of trade receivables is as follows:

	Year ended 31 December	
	2023	2022
As at 1 January	28,900	27,907
Increase in loss allowance recognised in profit or loss during the year	6,573	3,176
Receivables written off during the year as uncollectible	-	(2,093)
Allowance reversed	(2,537)	(90)
As at 31 December	32,936	28,900

(b) Accounting policy of trade and notes receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables and notes receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with the Group. See note 3.1 and note 36.7 for a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

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11 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
Prepayments		
– advances to suppliers	11,490	16,477
– other deferred expenses	5,920	7,621
– prepaid for land	–	7,898
	17,410	31,996
Less non-current portion: prepayments	(2,455)	(10,001)
	14,955	21,995
Other receivables		
– value added tax deductible	4,735	–
– staff advances and other payments for employees	1,631	1,778
– value added tax receivable	20,157	26,252
– others	6,216	772
	32,739	28,802
	47,694	50,797

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12 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December	
	2023	2022
Cash at bank and in hand	866,658	607,439

(b) Restricted cash

At 31 December 2023, RMB197,757,000 (2022: RMB306,920,000) are restricted deposits held at bank as guarantee for notes payables and letter of credit.

The carrying amounts of cash and cash equivalents and restricted cash of the Group are denominated in the following currencies:

	As at 31 December	
	2023	2022
RMB	821,078	788,568
US\$	73,127	49,512
EUR	77,187	75,640
HK\$	90,913	74
Others	2,110	565
	1,064,415	914,359

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13 SHARE CAPITAL, SHARE PREMIUM AND CAPITAL RESERVE

	As at 31 December	
	2023	2022
Share capital (a)	11,442	11,442
Share premium	416,418	416,418
Capital reserve	123,598	123,598
	551,458	551,458

(a) Share capital

The total authorised number of ordinary shares is 3,000,000,000 (2022: 3,000,000,000) with par value of HK\$0.01 per share (2022: HK\$0.01 per share).

The number of ordinary shares issued as of 31 December 2023 is 1,336,631,000 (2022: 1,336,631,000). All issued shares are fully paid.

14 STATUTORY RESERVE

	Year ended 31 December	
	2023	2022
As at 1 January	309,087	296,211
Transfer from retained earnings	16,879	12,876
As at 31 December	325,966	309,087

In accordance with PRC's regulations and the Articles of Association of those subsidiaries of the Group, which incorporated in the PRC ("PRC subsidiaries"), the PRC subsidiaries of the Group appropriate 10% of their net profits as shown in the accounts prepared under PRC generally accepted accounting principles to statutory reserve, until the reserve reaches 50% of their respective registered capital. Appropriation of the statutory reserve must be made before distribution of dividend to equity holders.

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15 RETAINED EARNINGS

	Year ended 31 December	
	2023	2022
As at 1 January	1,839,556	1,670,035
Profit for the year	244,214	182,397
Transfer to statutory reserve and capital reserve	(16,879)	(12,876)
As at 31 December	2,066,891	1,839,556

16 DEFERRED GOVERNMENT GRANTS

	Year ended 31 December	
	2023	2022
As at 1 January	61,320	67,880
Amortisation	(7,211)	(7,806)
Exchange adjustments	2,744	1,246
As at 31 December	56,853	61,320
At the end of the year		
Cost	137,240	134,517
Less: accumulated amortisation	(86,232)	(75,920)
Exchange adjustments	5,845	2,723
Net book amount	56,853	61,320

	As at 31 December	
	2023	2022
Current portion of deferred government grant	7,211	6,844
Non-current portion of deferred government grant	49,642	54,476

The government grants included in liabilities as deferred income are relating to purchase of property, plant and equipment and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

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17 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
Trade payables	324,906	496,987
Notes payables	267,916	468,428
Accrued expenses	132,594	174,594
Salary and welfare payables	48,752	40,664
Other tax payables	8,574	9,795
Other payables	12,204	15,063
	794,946	1,205,531

The normal credit period granted by the creditors generally ranged from 30 to 90 days.

At 31 December, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2023	2022
Within 30 days	268,312	413,875
31-90 days	50,469	71,473
91-365 days	3,771	8,285
Over 365 days	2,354	3,354
	324,906	496,987

Accounting policy of Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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18 BORROWINGS

		As at 31 December	
		2023	2022
Current			
Secured			
Bank borrowings	– EUR	86,451	91,748
	– HK\$	54,372	48,238
	– US\$	–	83,575
Total borrowings		140,823	223,561

Bank borrowings

The weighted average effective interest rates at the balance sheet dates are set out as follows:

		As at 31 December	
		2023	2022
Bank borrowings		4.45%	2.10%

All secured bank borrowings of RMB140,823,000 were guaranteed by the Company (2022: RMB223,561,000).

The Group's bank borrowings were repayable as follows:

		As at 31 December	
		2023	2022
Within 1 year		140,823	223,561

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18 BORROWINGS (CONTINUED)

Bank borrowings (continued)

As of 31 December 2023, the Group has 4 borrowing facilities (31 December 2022: 4) with a total limit of US\$105,000,000 and EUR25,000,000 (31 December 2022: US\$105,000,000 and EUR25,000,000). The amounts of the undrawn borrowing facilities are as follows:

	As at 31 December	
	2023	2022
Floating rate:		
– Expiring within 1 year	799,341	693,295

Accounting policy of Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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19 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2023	2022
Deferred income tax assets		
– Deferred income tax asset to be recovered after more than 12 months	13,804	11,019
– Deferred income tax asset to be recovered within 12 months	25,125	30,834
	38,929	41,853
Deferred income tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	(1,743)	(1,764)
– Deferred income tax liability to be recovered within 12 months	(18,053)	(9,709)
	(19,796)	(11,473)

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2023	2022
At beginning of the year	30,380	14,338
Credited/(charged) to profit or loss (Note 25)	(11,247)	16,042
At end of the year	19,133	30,380

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Accrued expenses	Government grants	Impairments and provisions	Leases	Total
At 1 January 2022	15,951	3,376	8,810	5,670	33,807
Credited/(charged) to profit or loss	13,803	(614)	463	(5,606)	8,046
At 31 December 2022	29,754	2,762	9,273	64	41,853
Credited/(charged) to profit or loss	(4,312)	(361)	1,664	85	(2,924)
At 31 December 2023	25,442	2,401	10,937	149	38,929

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19 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Unremitted earnings (Note 19(b))	Long-term assets arising from business combination	Other tax differences	Leases	Total
At 1 January 2022	3,150	4,814	5,816	5,689	19,469
Charged/(credited) to profit or loss	6,559	(3,050)	(5,816)	(5,689)	(7,996)
At 31 December 2022	9,709	1,764	-	-	11,473
Charged/(credited) to profit or loss	8,344	(21)	-	-	8,323
At 31 December 2023	18,053	1,743	-	-	19,796

- (a) Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The amount of tax losses for which no deferred income tax asset were recognised was approximately RMB14,394,000 (2022: RMB34,950,000). As at 31 December 2023 and 2022, the expiry dates of the unrecognised tax losses can be carried forward against future taxable income are analysed as below:

Expiring in year ending:

	2023	2022
2023	-	14,439
2024	11,475	12,618
2025	1,022	1,317
2026	761	5,472
2027	1,089	1,104
2028	47	-
	14,394	34,950

- (b) In accordance with the corporate income tax law in the PRC, a 5% withholding tax will be levied on the dividend declared by the subsidiaries which was established in the PRC to its foreign investor. Considering the dividend policies of the PRC subsidiaries and the Group's business plan, the directors are of the view that only a portion of the unremitted earnings of the PRC subsidiaries of approximately RMB166,880,000 (2022: RMB194,180,000) may be distributed to their foreign parent company in the foreseeable future and the related deferred income tax liabilities of approximately RMB8,344,000 (2022: RMB9,709,000) have been recognised accordingly.

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20 OTHER INCOME

	Year ended 31 December	
	2023	2022
Income from sales of scraps and other materials	44,369	46,788
Subsidy income from government	10,613	20,566
	54,982	67,354

The subsidy income comprised cash grants from local government as an incentive to promote local businesses.

21 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2023	2022
Net fair value gains on wealth management products at fair value through profit or loss (“FVPL”) (Note 3.3)	2,836	1,702
Net losses on disposal of assets	(180)	(98)
Net foreign exchange gains/(losses)	5,828	(3,502)
Others	3,917	1,352
	12,401	(546)

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22 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
Raw materials and consumables used	2,606,086	2,823,569
Tax and levies on main operations	19,410	14,650
Provision for obsolescence on inventories	3,677	10,506
Depreciation and amortisation charges:	151,635	142,421
– Depreciation of PP&E	135,029	126,814
– Depreciation of right-of-use assets	12,387	8,561
– Amortisation of intangible assets	4,219	7,046
Employee benefit expenses (Note 23)	379,466	341,461
Impairment of goodwill and other intangible assets arising from acquisitions	–	19,983
Auditors' remuneration		
– Audit services	2,500	2,500
– Non-audit services	100	70
Transportation expenses	126,694	171,891
Electricity and utilities	66,352	73,170
Repair and maintenance expenses	39,932	34,209
Research and development expenses	23,187	20,334
Advertising and promotional expenses	31,216	25,566
Plating expenses	16,360	20,252
Professional fees	28,646	18,470
Travelling expenses	17,837	12,304
Bank charges	2,797	3,957
Rental expenses	2,460	3,201
Other expenses	38,081	34,736
Total cost of sales, distribution expenses and administrative expenses	3,556,436	3,773,250

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23 EMPLOYEE BENEFITS

The analysis of employee benefits is as follows:

	Year ended 31 December	
	2023	2022
Wages and salaries (including discretionary bonuses)	315,894	285,057
Employer's contributions to pension scheme and others	63,572	56,404
	379,466	341,461

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director (2022: 2), whose emoluments were reflected in the analysis presented in note 35. All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended 31 December, 2023 and 2022. The aggregate amounts of emoluments for the remaining 4 (2022: 3) individuals for the years are as follows:

	Year ended 31 December	
	2023	2022
Salaries and other short-term employees' benefits	3,875	2,789
Contribution to pension scheme	147	115
Bonuses	1,048	769
Social security cost	131	95
	5,201	3,768

The emoluments fell within the following bands:

	Year ended 31 December	
	2023	2022
Emolument bands		
HK\$1,000,001 – HK\$1,500,000	3	2
HK\$1,500,001 – HK\$2,000,000	1	1
	4	3

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24 FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December	
	2023	2022
Interest income	10,564	8,227
Exchange gains – net	1,535	2,525
Finance income	12,099	10,752
Interest expenses – bank borrowings	(6,046)	(4,520)
Interest expenses – lease	(1,553)	(923)
Finance costs	(7,559)	(5,443)

25 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
Current income tax:		
Enterprise income tax	68,680	66,437
Deferred income tax:	11,247	(16,042)
Income tax expense	79,927	50,395

The Group's subsidiaries established in the PRC are subject to the PRC statutory income tax rate of 25% (2022: 25%) on the taxable income for the year, except for Greatview Aseptic Packaging (Inner Mongolia) Co. Ltd. ("GA Inner Mongolia") and Qingdao Likang Food Packaging Technology Co. LTD ("Likang").

GA Inner Mongolia is located in a special economic zone with a preferential statutory income tax rate of 15%, which is subject to annual approval from the local tax bureau. The local tax bureau has approved this preferential tax rate of 15% for this subsidiary in year 2023.

Likang obtains a high-technology enterprise certificate which is valid for 3 years from 2023 to 2025 and subjects to a preferential statutory income tax rate of 15% according to the law of People's Republic of China on enterprise income tax.

Since the two-tiered profits tax regime took effect on 1 April 2018, the applicable Hong Kong profits tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.50% for any assessable profits in excess of HK\$2 million. The profits tax of Greatview Aseptic Packaging Manufacturing GmbH and Greatview Aseptic Packaging Service GmbH, the Group's subsidiary located in Germany is provided at rate of 32.00%. Greatview Aseptic Packaging Europe GmbH is subject to the Swiss statutory income tax rate of 12.50%.

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25 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's companies is as follows:

	Year ended 31 December	
	2023	2022
Profit before tax	324,141	232,792
Tax calculated at domestic tax rates applicable to profits in the respective countries	81,308	62,433
Withholding tax on dividends	8,344	6,559
Effect of preferential tax treatments	(9,208)	(10,375)
Income not subject to tax	(627)	(35)
Super deduction of research and development expenses	(2,150)	(2,174)
Expenses not deductible for tax purposes	1,016	523
Tax losses for which no deferred tax asset was recognised	52	441
Utilisation of previously unrecognised tax losses for which no deferred income tax was recognised	(1,075)	(6,440)
Others	2,267	(537)
Income tax expense	79,927	50,395

26 EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company	244,214	182,397
Weighted average number of ordinary shares in issue (thousands)	1,336,631	1,336,631
Basic and diluted earnings per share (RMB per share)	0.18	0.14

Basic and diluted earnings per share are the same as the Group does not have any dilutive potential ordinary shares for the years ended 31 December 2023 and 2022.

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27 CASH GENERATED FROM OPERATIONS

	Year end 31 December	
	2023	2022
Profit before income tax	324,141	232,792
Adjustments for:		
– Amortisation of intangible assets	4,219	7,046
– Amortisation of deferred government grants	(7,211)	(7,806)
– Depreciation of property, plant and equipment	135,029	126,814
– Depreciation of right-of-use assets	12,387	8,561
– Impairment for trade and other receivables	7,985	3,086
– Provision for obsolescence on inventories	3,677	10,506
– Impairment of goodwill and other intangible assets arising from acquisitions	–	19,983
– Loss on disposal of property, plant and equipment	180	98
– Interest income from financial assets at FVPL	(2,836)	(1,702)
– Finance income – net	(4,500)	(5,309)
– Foreign exchange gains on operating activities	16,259	22,355
Changes in working capital:		
– Inventories	318,273	(393,754)
– Trade and notes receivables	57,353	(19,214)
– Other receivables and prepayments	11,435	(136)
– Restricted cash	109,163	(92,066)
– Trade payables, other payables and accruals	(413,743)	412,547
– Contract liabilities	(60,010)	83,815
Cash generated from operations	511,801	407,616

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27 CASH GENERATED FROM OPERATIONS (CONTINUED)

Non-cash transaction

In 2022 and 2023, there was no significant non-cash transaction.

	Liabilities from financing activities			Total
	Borrowings due after 1 year	Borrowings due within 1 year	Leases	
Net debt as at 1 January 2022	(5,415)	(283,121)	(22,682)	(311,218)
Cash flows	–	79,837	8,139	87,976
Addition – leases principle	–	–	(1,517)	(1,517)
Addition – leases interests	–	–	(923)	(923)
Foreign exchange adjustments	(152)	(14,710)	–	(14,862)
Other non-cash movement	5,567	(5,567)	–	–
Net debt as at 31 December 2022	–	(223,561)	(16,983)	(240,544)
Cash flows	–	84,071	12,544	96,615
Addition – leases principle	–	–	(21,172)	(21,172)
Addition – leases interests	–	–	(1,553)	(1,553)
Modification – leases principle	–	–	285	285
Foreign exchange adjustments	–	(1,333)	–	(1,333)
Net debt as at 31 December 2023	–	(140,823)	(26,879)	(167,702)

28 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2023:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share and paid-in capital/ registered capital/ debt securities	Ownership interest held by the Group (%)	
				2023	2022
Directly held by the Company					
Partner One Enterprises Ltd.	British Virgin Island, Limited liability company	Investment holding in British Virgin Island	US\$2	100%	100%
Falcon Eye Global Ltd.	British Virgin Island, Limited liability company	Investment holding in British Virgin Island	US\$2	100%	100%

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28 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share and paid-in capital/ registered capital/ debt securities	Ownership interest held by the Group (%)	
				2023	2022
Indirectly held by the Company					
Global Land International Industries Limited	Hong Kong, Limited liability company	Investment holding in Hong Kong	HK\$10,000	100%	100%
Glorious Sea Global Limited	British Virgin Island, Limited liability company	Investment holding in Hong Kong	US\$1	100%	–
Greenone Co., Ltd.	PRC, Limited liability company	Research and development of multi-layers food packaging materials in PRC	RMB10,000,000	100%	100%
Greatview Holdings Ltd.	Hong Kong, Limited liability company	Investment holding in Hong Kong	HK\$10,000	100%	100%
Greatview Aseptic Packaging (Shandong) Co., Ltd.	PRC, Limited liability company	Production and sale of packaging products in PRC	US\$65,080,000	100%	100%
Greatview Aseptic Packaging (Inner Mongolia) Co., Ltd.	PRC, Limited liability company	Production and sale of packaging products in PRC	US\$20,000,000	100%	100%
Greatview Aseptic Packaging Europe GmbH	Switzerland, Limited liability company	Sale of packaging products in Switzerland	CHF50,000	100%	100%
Greatview Beijing Trading Co., Ltd.	PRC, Limited liability company	Sale of packaging products and equipment and related technical development services in PRC	US\$750,000	100%	100%
Greatview Aseptic Packaging Manufacturing GmbH	Germany, Limited liability company	Production and sale of packaging products in Germany	EUR25,000	100%	100%
Greatview Aseptic Packaging Service GmbH	Germany, Limited liability company	Sale of packaging products in Germany	EUR25,000	100%	100%
Greatview Aseptic Packaging Italy S.r.l	Italy, Limited liability company	Production and sale of packaging products in Italy	EUR10,000	100%	100%
Qingdao Likang Food Packaging Technology Co., LTD.	PRC, Limited liability company	Production and sale of packaging products in PRC	RMB100,000,000	100%	100%
Beijing Greatdata Technology Co., Ltd.	PRC, Limited liability company	Technical research and development, software research and development, technical services in PRC	RMB10,000,000	100%	100%

The above list includes the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

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28 SUBSIDIARIES (CONTINUED)

Debt securities

None of the subsidiaries had any debt securities outstanding as at 31 December 2023 or at any time during the year.

Significant restrictions

Cash and bank balances of RMB893,849,000 (2022: RMB828,991,000) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

29 COMMITMENTS

The Group's capital commitments at the date of each statement of financial position are as follows:

	As at 31 December	
	2023	2022
Contracted but not provided for		
– Property, plant and equipment	63,208	72,464

30 DIVIDENDS

At the meeting on 28 March 2024, the Board of Directors proposed a final dividend of HK\$0.06 per share, amounting to a total dividend of HK\$84,400,000, and a special dividend of HK\$0.04 per share, amounting to a total dividend of HK\$56,300,000, for the year ended 31 December 2023 (2022: nil). The amounts are based on approximately 1,407 million shares in issue as at 28 March 2024, and are not recognised as a liability in the consolidated financial statements. The proposed dividends are subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

31 RELATED PARTY TRANSACTIONS

Key management compensation

Key management includes Executive Directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year end 31 December	
	2023	2022
Salaries and other short-term employees' benefits	10,161	8,167
Contribution to pension scheme	315	304
Bonuses	2,210	1,813
Social security cost	345	320
	13,031	10,604

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32 CONTINGENT LIABILITIES

The Company has identified certain contingent liabilities in the normal course of business.

Having considered all the facts of these matters, including legal advice when relevant, the Directors are of the view that there are no material contingent liabilities as at 31 December 2023 (2022: nil).

33 EVENTS AFTER THE REPORTING PERIOD

On 25 January 2024, the Group entered into a subscription agreement (the "Subscription Agreement") with Future Strategy GP Limited (the "General Partner") which is the general partner acting for and on behalf of Future Strategy Investment Fund Limited Partnership (the "Fund") in relation to the Class A Interests.

Pursuant to the Subscription Agreement, the Group agreed to make a capital commitment of US\$72 million (equivalent to RMB512 million) into the Fund in order to subscribe for 90% of the Class A Interests in the Fund as a Class A Limited Partner. The consideration for this subscription was fulfilled by the Group through two parts: (a) assigning part of an inter-company loan owed by Greatview Holdings International Limited (the "Target Company", which was a wholly owned subsidiary of the Group immediately before the date of the Subscription Agreement, and is the holding company of the Group's international businesses (together the "Target Group")), being RMB390 million, to Glorious Sea Holdings Limited ("GSH", a wholly-owned subsidiary of the Fund) on 25 January 2024; and (b) a cash payment to the Fund of RMB122 million made on 25 January 2024. The remaining 10% of the Class A Interests of US\$8 million was agreed to be injected by Rising Phoenix Investments Limited, wholly and indirectly owned by Jiao Shuge ("Mr. Jiao", an independent third party) as the other Class A Limited Partner of the Fund.

On the same date, the Group entered into a restructuring agreement with GSH (the "Restructuring Agreement"). Pursuant to the Restructuring Agreement, both the Group and GSH agreed to convert their loan receivables due from the Target Company of RMB203 million and RMB390 million, respectively, into new shares issued by the Target Company. Upon completion of the transactions under the Restructuring Agreement on 25 January 2024, taking into consideration the Target Company's unaudited consolidated net assets value as at 30 November 2023 of RMB172 million originally 100% owned by the Group, the Group and the Fund (through GSH) became 49% and 51% equity holders of the Target Company, respectively.

As of 25 January 2024, the General Partner was ultimately owned by the Company, Mr. Jiao, and The Glorious Sea STAR Trust (the beneficiaries of which are nominated by Mr. Jiao, the enforcer of the trust, and will include directors and employees of the Fund in relation to Class A Interests and the Target Group, and exclude Mr. Jiao or any connected persons of the Company (as defined by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange)) which held 40%, 30% and 30%, respectively.

Upon the completion of the Subscription Agreement and the Restructuring Agreement, and pursuant to the distribution policy between the General Partner and Class A Limited Partners set out the Limited Partnership Agreement of the Fund, the Group will be entitled to approximately 90% to 95% of the effective economic interest in the Target Group.

Based on the facts and circumstances as of the date of the approval of these consolidated financial statements by the Board of Directors, the Company considers that it is appropriate to continue to consolidate the Target Group as it still controls the underlying international business. The Company will continue to evaluate the facts and circumstances, as they evolve, to conclude on the appropriate accounting treatment according to the Group's accounting policies.

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34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2023	2022
ASSETS		
Non-current assets		
Investment in a subsidiary	221,801	221,801
Amount due from a subsidiary	454,666	450,976
	676,467	672,777
Current assets		
Amount due from a subsidiary	130,609	132,933
Cash and cash equivalents	23	38
	130,632	132,971
Total assets	807,099	805,748
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	11,442	11,442
Other reserves and retained earnings (a)	794,854	793,483
Total equity	806,296	804,925
LIABILITIES		
Current liabilities		
Trade payables, other payables and accruals	803	823
Total liabilities	803	823
Total equity and liabilities	807,099	805,748

The balance sheet of the Company was approved by the Board on 28 March 2024 and was signed on its behalf:

Director
Bi Hua, Jeff

Director
Chang Fuquan

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34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	2023	2022
As at 1 January	793,483	746,801
Profit for the year	1,371	46,682
As at 31 December	794,854	793,483

35 DIRECTORS' EMOLUMENTS

(a) The remuneration of directors was as follows:

Name of Director	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to pension scheme	Total
Year ended 31 December 2022						
Executive directors						
Mr. Bi Hua, Jeff	173	830	456	123	73	1,655
Mr. Chang Fuquan	173	1,008	-	6	-	1,187
Non-executive directors						
Mr. Hong Gang	-	-	-	-	-	-
Mr. Pang Yiu Kai	-	-	-	-	-	-
Independent non-executive directors						
Mr. Lueth Allen Warren	173	-	-	-	-	173
Mr. Behrens Ernst Hermann	173	-	-	-	-	173
Mr. Zhu Jia	173	-	-	-	-	173
	865	1,838	456	129	73	3,361

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35 DIRECTORS' EMOLUMENTS (CONTINUED)

(a) The remuneration of directors was as follows: *(continued)*

Name of Director	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Employer's contribution to pension scheme	Total
Year ended 31 December 2023						
Executive directors						
Mr. Bi Hua, Jeff	180	2,330	580	102	42	3,234
Mr. Chang Fuquan	180	752	-	4	-	936
Non-executive directors						
Mr. Bang Sheng Wang	-	-	-	-	-	-
Mr. Hong Gang	-	-	-	-	-	-
Mr. Pang Yiu Kai (Note i)	-	-	-	-	-	-
Independent non-executive directors						
Mr. Lueth Allen Warren	180	-	-	-	-	180
Mr. Behrens Ernst Hermann	180	-	-	-	-	180
Mr. Zhu Jia	99	-	-	-	-	99
Mr. Guo Kai	81	-	-	-	-	81
	900	3,082	580	106	42	4,710

Notes:

- (i) Mr. Pang Yiu Kai was appointed as non-executive director on March 30, 2020 and resigned on September 22, 2023. The emoluments of Mr. Pang Yiu Kai were nil.

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2022: Nil).

(c) Directors' termination benefits

During the year, no payment or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2022: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2022: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2022: Nil).

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35 DIRECTORS' EMOLUMENTS (CONTINUED)

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of year or at any time during the year (2022: Nil).

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

36.1 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the Group's companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

36.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.2 Business combinations *(continued)*

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

36.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

36.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company (the "Executive Directors") that make strategic decisions.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash are presented in the consolidated statement of comprehensive income within "finance costs – net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other gains/ (losses) – net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.6 Impairment of non-financial assets

Goodwill and freehold land with infinite useful life are not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstance indicate that it might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

36.7 Investments and other financial assets

36.7.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

36.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

36.7.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.7 Investments and other financial assets (continued)

36.7.3 Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other (losses)/gains – net" in the period in which it arises.

36.7.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

36.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

36.9 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

36.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.11 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

36.12 Current and deferred income tax

The income tax expenses or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.12 Current and deferred income tax (continued)

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

36.13 Employee benefits

Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a certain percentage of the basic salaries. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Forfeited contributions (if any) will not be used by the Group, as the employer, to reduce the existing level of contributions.

36.14 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.14 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use assets.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalue its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.14 Leases (continued)

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

36.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

36.16 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

36.17 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 21 Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 24 Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.18 Research and development expenses

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved software) are capitalized as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognized as expenses as incurred.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

36.19 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

36.20 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.