Zhengwei Group Holdings Company Limited
正味集团控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2147

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Shengyao *(Chairman and Chief Executive Officer)*
Ms. Lin Qiuyun
Mr. Li Hui

Independent Non-Executive Directors

Mr. Li Taihong *(resigned on 29 February 2024)*
Mr. Lau Jing Yeung William
Mr. Lee Kwok Tung Louis *(resigned on 29 February 2024)*
Mr. Hu Ruiwo *(appointed on 29 February 2024)*
Mr. Ye Sangzhi *(appointed on 29 February 2024)*

AUTHORISED REPRESENTATIVES

Mr. Yang Shengyao
Mr. Chan Ngai Fan

COMPANY SECRETARY

Mr. Chan Ngai Fan

AUDIT COMMITTEE

Mr. Lau Jing Yeung William *(Chairman)*
Mr. Li Taihong *(resigned on 29 February 2024)*
Mr. Lee Kwok Tung Louis *(resigned on 29 February 2024)*
Mr. Hu Ruiwo *(appointed on 29 February 2024)*
Mr. Ye Sangzhi *(appointed on 29 February 2024)*

REMUNERATION COMMITTEE

Mr. Li Taihong *(Chairman) (resigned on 29 February 2024)*
Mr. Hu Ruiwo *(Chairman) (appointed on 29 February 2024)*
Mr. Yang Shengyao
Mr. Lau Jing Yeung William

NOMINATION COMMITTEE

Mr. Li Taihong *(Chairman) (resigned on 29 February 2024)*
Mr. Hu Ruiwo *(Chairman) (appointed on 29 February 2024)*
Mr. Yang Shengyao
Mr. Lau Jing Yeung William

REGISTERED OFFICE

71 Fort Street
PO Box 500, George Town
Grand Cayman KY1–1106
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

487 Yuhu Road
Xiaolan Economic Development and Technology Zone
Nanchang
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 12, 12/F Tower A, New Mandarin Plaza
No. 14 Science Museum Road
Tsim Sha Tsui, Kowloon
Hong Kong

AUDITOR

CCTH CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Unit 1510–1517
15/F, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Bird & Bird
6/F, The Annex, Central Plaza
18 Harbour Road
Hong Kong

COMPLIANCE ADVISOR

Grand Moore Capital Limited
Unit 1401, 14/F
Lippo Sun Plaza
28 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500, George Town
Grand Cayman KY1–1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Jiangxi Bank Co., Ltd. (Nanchang Tielu Branch)
96 Zhanqian Road, Xihu District
Nanchang City, Jiangxi Province
PRC

STOCK CODE

2147

COMPANY'S WEBSITE

www.zhengwei100.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Zhengwei Group Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to the shareholders the annual results of the Group for the year ended 31 December 2023 (the "**FY2023**" or "**Reporting Period**") together with comparative figures for the year ended 31 December 2022 ("**FY2022**").

LISTING ON THE STOCK EXCHANGE ON 13 JANUARY 2023

The Company was successfully listed on the Main Board of the Stock Exchange on 13 January 2023 (the "**Listing**"). The Listing marked a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its public reputation in the market, which laid a solid foundation for the Group's future development.

BUSINESS AND FINANCIAL REVIEW

For FY2023, we recorded total revenue of approximately RMB445.2 million, representing an increase of 24.8% from RMB356.8 million for FY2022. The increase was mainly attributable to the increase in sales from manufacturing of snacks and dried food products of approximately RMB85.9 million, and the increase in sales from trading of snacks and dried food products of approximately RMB2.4 million. For FY2023, the Group recorded (i) gross profit of approximately RMB147.3 million, representing an increase of approximately 23.5% from approximately RMB119.3 million for FY2022. The increase in gross profit was mainly due to (i) the growth of the Group's sales of approximately RMB88.4 million; and (ii) the increase in the average selling price of the Group's products in general. The Group's profit for FY2023 was approximately RMB67.5 million, representing an increase of approximately 44.6% as compared to approximately RMB46.7 million for FY2022.

PROSPECT AND OUTLOOK

To capture the business opportunities and achieve a sustainable competitive advantage, we will further strengthen and improve the Group's market position through the following strategies:

- continuously develop and introduce new snack products to keep up with consumer trends; and
- enhance marketing efforts and expand sales channels to maximise the exposure of our own brands and the accessibility of products to end consumers across the People's Republic of China (the "**PRC**").

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the senior management team and our employees for their outstanding contribution for the Group. I would also like to thank all our shareholders, customers, suppliers, professional parties, business partners and the public community for their support to our business development and the successful Listing.

I strongly believe that the concerted effort of our staff and stakeholders will continue to propel the growth momentum of the Group going forward.

Yang Shengyao
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group mainly produces, and to a lesser extent trade, dried food products and snacks in Jiangxi Province in the PRC, and to a lesser extent, Sichuan Province and Hubei Province in the PRC.

Manufacturing business

For the manufacturing business, the Group produces and sells a variety of (i) snacks (including vegetable snacks and meat snacks) such as bamboo shoots crisps and roasted duck necks; and (ii) packaged dried food products such as fungi, dried aquatic products, algae, grains and seasonings in the PRC. The Group generally (i) sources raw materials from its suppliers; (ii) processes the raw materials and package products at its own production facilities; and (iii) sells the products under the Group's own "Shengyao (聲耀)" and "Ganweifang (贛味坊)" brands to customers including retailers such as supermarkets and grocery stores, corporate customers and other individual customers in the PRC as well as e-commerce channel on Tmall.com.

Trading business

For the trading business, the Group purchases dried candied fruit, nuts and other products in bulk from suppliers and sell to retailers and corporate customers without further processing in the PRC.

Sales channels and customer base

Having over 20 years of history and experience in dried food production and the continuous commitment and effort in maintaining high quality product and emphasis on food safety, the Group has established a solid customer base, including retailers such as supermarkets and grocery stores, corporate customers and other individual customers. Some of the Group's products are sold at concessionary counters in supermarkets where the promoters will promote and interact face-to-face with end consumers to provide useful product information tailored to the interests and needs of individual consumers. During the FY2023, the Group's products were mainly sold and delivered to customers located in Jiangxi Province, Hubei Province, Zhejiang Province and Sichuan Province in the PRC.

Production facilities

As at the date of this annual report, the Group has two production facilities, namely Nanchang Plant and Guangchang Plant, in Jiangxi Province, the PRC. Nanchang Plant is specialised in the processing and packaging of dried food products and Guangchang Plant is equipped with cooking equipment which is dedicated for the production of snacks.

PROSPECT AND OUTLOOK

As consumers are constantly evolving with their tastes and preferences, the Group will continuously develop and introduce new snack products to keep up with consumer trends. The Group will conduct internal research on popularity of different snacks products and obtain feedback from its retailer customers on acceptance of new flavours and purchase pattern of end consumers in the market. The Group intends to introduce new vegetable snacks such as mushrooms and new meat snacks such as boneless chicken feet, beef jerky, pork trotters, quail eggs and quail meat snacks. With the long-term and established relationship with the Group's retailer customers, the Directors consider that the Group already has stable sales channels to sell and market new snack products readily.

In the future, the Group will continue to enhance marketing efforts and expand sales channels to maximise the exposure of its own brands and the accessibility of products to end consumers across the PRC in order to maximise returns for shareholders. In particular, the Group intends to (i) expand sales network and concessionary counter network in supermarkets in Southwestern China, in particular, in Sichuan Province, the PRC; (ii) strengthen marketing and promotional efforts in cooperation with supermarket chain customers; and (iii) expand marketing efforts by advertising snacks products through traditional media such as television and commercial broadcasts, at high-traffic locations and social media such as WeChat.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group mainly represents (i) the sales from manufacturing of snacks and dried food products; and (ii) the sales from trading of snacks and dried food products. For FY2023, the Group recorded total revenue of approximately RMB445.2 million, representing an increase of approximately 24.8% from approximately RMB356.8 million for FY2022. The increase was mainly attributable to the increase in sales from manufacturing of snacks and dried food products of approximately RMB85.9 million, and the increase in sales from trading of snacks and dried food products of approximately RMB2.4 million.

Cost of sales

The cost of sales of the Group mainly comprised of (i) direct materials costs; (ii) production costs; (iii) direct labour costs; and (iv) others.

For FY2023, the Group's cost of sales was approximately RMB298.0 million, representing an increase of approximately 25.4% from approximately RMB237.6 million for FY2022. The above increase was mainly due to the increase in direct material costs which was generally in line with the increase in the revenue of the Group.

Gross profit and gross profit margin

For FY2023, the Group recorded (i) gross profit of approximately RMB147.3 million, representing an increase of approximately 23.5% from approximately RMB119.3 million for FY2022; and (ii) gross profit margin of approximately 33.1%, which remained relatively stable as compared to approximately 33.4% for FY2022. The increase in gross profit was mainly due to (i) the growth of the Group's sales of approximately RMB88.4 million; and (ii) the increase in the average selling price of the Group's products in general.

Other income

Other income comprised government grants and interest income from bank deposits. Government grants were one-off in nature and mainly represented grants received from the PRC local government authority as subsidies to the Group.

Other income of the Group increased from approximately RMB775,000 for FY2022 to approximately RMB6.4 million for FY2023, which was mainly attributable to the increase in government grants of approximately RMB5.3 million and increase in interest income of RMB260,000 as a result of the increase in bank deposits.

Other gain and losses

Other gains and losses of the Group decreased from a gain of RMB423,000 for FY2022 to a loss of RMB164,000 for FY2023. Such decrease was primarily due to the absence of reversal for the provision of social insurance and housing provident fund of RMB481,000 in FY2023, which such amount was recognized in FY2022, and the net foreign exchange losses of RMB162,000 which no such losses was recognized in FY2022.

Distribution and selling expenses

Distribution and selling expenses of the Group remained relatively stable at approximately RMB27.8 million and RMB32.8 million for FY2022 and FY2023, respectively.

Administrative expenses

Administrative expenses of the Group mainly comprised of research and development, staff cost, legal and professional expenses, depreciation and amortization, other taxes, entertainment and transportation expenses, office expenses and others. The administrative expenses of the Group increased from approximately RMB27.7 million for FY2022 to approximately RMB36.6 million for FY2023.

Finance costs

Finance costs of the Group mainly represented interest expenses on bank and other borrowings. The decrease in finance costs from approximately RMB3.3 million for FY2022 to approximately RMB2.9 million for FY2023 was mainly due to the decrease in interest expenses on bank and other borrowings as a result of the decrease in average amount of bank and other borrowings for FY2023.

Taxation

Taxation of the Group comprised of (i) profit tax expenses of EIT; and (ii) deferred tax expenses. Taxation of the Group increased from approximately RMB6.2 million for FY2022 to approximately RMB9.2 million for FY2023, which was generally in line with the increase of profit before taxation during the year.

Profit for FY2023

The Group's profit for FY2023 was approximately RMB67.5 million, representing an increase of approximately 44.6% as compared to approximately RMB46.7 million for FY2022.

Net current assets

The net current assets of the Group increased from approximately RMB209.0 million for FY2022 to approximately RMB311.8 million for FY2023. The increase was primarily due to (i) the increase in trade receivables of approximately RMB28.3 million; (ii) the increase in cash and cash equivalents of approximately RMB42.4 million; and (iii) the decrease of borrowings of approximately RMB27.9 million.

Liquidity and capital resources

To manage liquidity risk, the Board closely monitors the Group's liquidity position and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term.

	FY2023 RMB'000	FY2022 RMB'000
Net cash generated from operating activities	**36,595**	82,412
Net cash used in investing activities	**(79,909)**	(2,470)
Net cash generated from/(used in) financing activities	**85,669**	(50,432)
Net increase in cash and cash equivalents	**42,355**	29,510

The total equity of the Group as at 31 December 2023 was approximately RMB436.9 million (2022: RMB258.4 million). As at 31 December 2023, the Group did not use any financial instruments for hedging purpose. The Group had cash and cash equivalents of approximately RMB199.2 million as at 31 December 2023 (2022: RMB156.8 million). The Group recorded total current assets of approximately RMB397.7 million as at 31 December 2023 (2022: RMB325.7 million) and total current liabilities of approximately RMB85.8 million as at 31 December 2023 (2022: RMB116.7 million).

Gearing ratio

The gearing ratio decreased from approximately 15.2% for FY2022 to approximately 4.0% for FY2023. Such decrease was mainly attributable to the decrease in the Group's total borrowings of approximately RMB27.9 million as at 31 December 2023.

Significant investment held

The Group had no significant investment held for FY2023.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures for FY2023.

Contingent liabilities

As at 31 December 2023, the Group had no contingent liabilities.

Foreign exchange risks, funding and treasury policies and objectives

The Group adopts a prudent funding and treasury policy. As the Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates, the Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Borrowings

Particulars of borrowings of the Group as at 31 December 2023 (including the currencies in which borrowings are made and the extent to which borrowings are at fixed interest rates) are set out in note 31 to the consolidated financial statements in this annual report.

Pledge of assets

As at 31 December 2023, the Group's borrowings amounting to approximately RMB18.2 million (as at 31 December 2022: RMB46.1 million), which were secured by:

(i) the Group's certain buildings included in property, plant and equipment with the carrying amount of approximately RMB24.0 million (31 December 2022: approximately RMB24.8 million);

(ii) land use right under right-of-use assets with the carrying amount of approximately RMB5.9 million (31 December 2022: approximately RMB6.1 million);

(iii) corporate guarantee given by the Group's shareholders, related companies controlled by shareholders and other non-related third parties; and

(iv) personal guarantee given by the Group's director, Mr. Yang, a director of a subsidiary – Zhenglian, Mr. Lin Deqian and his wife, Ms. Xia Liangping, shareholders of the Company and their close family members and other non-related third parties.

Employees and remuneration

As at 31 December 2023, the Group had a total of 755 employees, compared to 640 employees as at 31 December 2022. The increase in the number of employees was primarily due to the corresponding increase in sales and the need for more production staffs in the factories. The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the latest market condition. The Group contributed to the PRC social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions as required under the applicable PRC laws and regulations for its employees.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company (the "**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 January 2023 (the "**Listing Date**"). Based on the offer price of HK$0.68 per Share, the net proceeds (the "**Net Proceeds**") from the global offering (the "**Global Offering**"), after deducting listing related expenses such as the underwriting fees, commissions and related expenses, amounted to approximately HK$97.3 million. Nevertheless, the Directors will constantly evaluate the Group business objectives and may change or modify the plan according to the changing market conditions to ascertain the business growth of the Group.

The intended application of the Net Proceeds as stated in the prospectus of the Company dated 20 December 2022 in connection with the Global Offering (the "**Prospectus**") and the actual utilisation of the Net Proceeds up to 31 December 2023 is set out below:

Intended application of the Net Proceeds	Percentage of total amount of the Net Proceeds	Unutilised Net Proceeds as at the Listing Date HK$ million	Utilised Net Proceeds since the Listing Date to 31 December 2023 HK$ million	Unutilised Net Proceeds as at 31 December 2023 HK$ million	Expected timetable for utilising the unutilised Net Proceeds
Building a new factory and acquiring new production lines in the Group's Guangchang Plant	74.1%	72.1	70.1	2.0	On or before 30 June 2024
Enhancing the Group's marketing efforts and expanding the Group's sales channels	15.9%	15.5	7.2	8.3	On or before 31 December 2024
Working capital and other general corporate purposes	10.0%	9.7	4.3	5.4	On or before 31 December 2024
Total	100%	97.3	81.6	15.7	

During the Reporting Period, the Net Proceeds had been used according to the purposes as stated in the Prospectus, and there were no material change or delay in the use of the Net Proceeds. The Company intends to continue to apply the Net Proceeds in the manner as stated in the Prospectus.

The unutilised Net Proceeds have been placed in short-term interest-bearing accounts with licensed banks in Hong Kong. In the event that the Directors decide to use the Net Proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have future plans for material investments or capital assets as at 31 December 2023.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yang Shengyao (楊聲耀) ("**Mr. Yang**"), aged 51, was appointed as our Director on 31 March 2020 and is our executive Director, chairman and chief executive officer. He is primarily responsible for the overall operations, strategic management, business development, and formulating our Group's business operation plans. Mr. Yang is a member of our remuneration committee and nomination committee.

Mr. Yang has accumulated over 23 years of experience in the food and trading industry. Mr. Yang was a general manager of Changsha Zhengwei Trading Company Limited* (長沙市正味貿易有限公司) from March 2000 to May 2001. Mr. Yang established our Group as a co-founder in January 2002. Mr. Yang has been the chairman, legal representative and general manager of Jiangxi Zhengwei Food Co., Limited* (江西正味食品有限公司) since January 2002, a director of Zhengwei Group Limited (正味集团有限公司) since May 2020, and a director of Zhengwei International Limited since April 2020.

Mr. Yang graduated from Jiangxi Agricultural University (江西農業大學) in January 2016 with a bachelor degree in landscape architecture. He is also a member of Jiusan Society (九三學社) since December 2015.

Mr. Yang is the spouse of Ms. Lin Qiuyun, our executive Director.

Mr. Yang was the director or responsible person of the following companies which were incorporated in the PRC and were subsequently dissolved or had their business licence revoked during his tenure:

Name of Company	Position	Status	Reasons of revocation of business licence/ deregistration	Date of revocation of business licence/ deregistration
Changsha Zhengwei Trading Co., Ltd. Nanchang Branch Office* (長沙市正味貿易有限公司南昌分公司)	Responsible person (負責人)	Business licence revoked	Cessation of business	3 January 2005
Jiangxi Kailingda Investment Consulting Co Ltd.* (江西省凱靈達投資諮詢有限公司)	Director	Deregistered	Voluntarily dissolved	28 June 2016

Mr. Yang confirmed that the above companies were solvent at the time of their business licences being revoked or their deregistration. Mr. Yang further confirmed that there was no wrongful act on his part leading to the revocation of business licences or deregistration and he is not aware of any actual or potential claim that has been or will be initiated against him as a result of the revocation of business licence or deregistration, and that his involvements in the companies were part and parcel of his services and that no misconduct or misfeasance had been involved in the revocation of business licence or deregistration. As advised by our PRC Legal Advisers, the revocation of business licence or deregistration of the above companies would not render Mr. Yang unsuitable to act as a director of any companies in the PRC.

Ms. Lin Qiuyun (林秋雲) ("**Ms. Lin**"), aged 48, was appointed as our Director on 20 June 2022 and is our executive Director. She is primarily responsible for managing sales department, and product and development of our Group.

Ms. Lin has accumulated over 20 years of experience in the field of sales and marketing. Ms. Lin joined our Group in January 2002 as a sales manager when it was established. Ms. Lin has been a director of Jiangxi Zhengwei Food Co., Limited* (江西正味食品有限公司) since December 2016. Ms. Lin graduated from Fujian Province Yongtai County Vocational School (福建省永泰縣職業學校) in July 1990.

Ms. Lin is the spouse of Mr. Yang, our executive Director.

Mr. Li Hui (李輝) ("**Mr. Li**"), aged 43, was appointed as our Director on 20 June 2022 and is our executive Director. He is primarily responsible for managing sales, and product and development of our Group.

Mr. Li has over 17 years of experience in operations and management. He was a procurement staff at China Railway 16th Bureau Group Company Limited (中鐵十六局集團有限公司) from July 2004 to December 2006. Thereafter, he was a planner at Jiangxi Radio and Television Bureau (江西廣播電視局) from December 2006 to January 2008. Prior to joining our Group in June 2010, he was a supervisor at Nanchang Xianghui Culture Communication Company Limited (南昌翔輝文化傳播有限公司) from June 2008 to June 2016. Mr. Li has been a director of Jiangxi Zhengwei Food Co., Limited* (江西正味食品有限公司) since December 2016, and the general manager, executive director and legal representative of Nanchang Kaixing Industrial Co., Limited* (南昌市凱興實業有限公司) since March 2013.

Mr. Li graduated from East China Jiaotong University (華東交通大學) with a bachelor's degree in software engineering in July 2004.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lau Jing Yeung William (劉正揚先生) ("**Mr. Lau**"), aged 42, was appointed as an independent non-executive Director on 16 December 2022. He is responsible for supervising and providing independent opinion and judgment to our Board. He is the chairman of our audit committee and a member of our remuneration committee and nomination committee.

Mr. Lau has over 15 years of experience in accounting, finance and consulting. He started his career as a staff accountant at Deloitte Touche Tohmatsu from January 2005 to June 2006. He then became an associate in Asian Capital (Corporate Finance) Limited from November 2006 to January 2008, and a senior accountant in Ferrier Hodgson Limited from May 2008 to February 2010. He was also a senior associate of the corporate finance department in the Hong Kong branch of KBC Bank N.V. from April 2010 to November 2011, a manager in the corporate finance department of Mazars CPA Limited from March 2012 to March 2014, and a manager of the direct investment department of Yuanta Securities (Hong Kong) Company Limited from August 2014 to June 2015. Mr. Lau served as a director of Winning Brothers Capital Group Limited from June 2015 to August 2017 and subsequently resumed his role since January 2018. He then joined China Yinsheng International Securities Limited as an associate director from September 2017 to January 2018.

Mr. Lau is currently an independent non-executive director of Asia Television Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 707), since December 2022. Mr. Lau was appointed as an independent non-executive director of Huisen Household International Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2127), from December 2020 to April 2022. He has been an independent non-executive director of Flying Financial Service Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8030) from March 2022 to December 2022.

Mr. Lau obtained a bachelor's degree in Business (Accountancy) and a master's degree in Business (Marketing) from the Queensland University of Technology in Australia in October 2002 and October 2003, respectively. Mr. Lau became a member of the CPA Australia in December 2010, a member of the Institute of Certified Management Accountants in July 2012 and an associate of the Chartered Institute of Management Accountants in June 2011.

Mr. Hu Ruiwo (胡瑞我先生) ("**Mr. Hu**"), aged 37, was appointed as an independent non-executive Director on 29 February 2024. He is the chairman of our nomination committee and remuneration committee. Mr. Hu has more than 17 years of experiences in business management. He is currently the general manager of Shenzhen Pinganlu Industrial Company Limited* (深圳市平安路實業有限公司). Mr. Hu obtained a bachelor's degree in Information Management and Information System from Beijing Institute of Technology in 2020.

Mr. Ye Sangzhi (葉桑志先生) ("**Mr. Ye**"), aged 45, was appointed as an independent non-executive Director on 29 February 2024. He is a member of our audit committee. Mr. Ye has more than 17 years of experiences in finance, business development and business management. He is currently the general manager of Jiangxi Youju Industrial Company Limited* (江西優聚實業有限公司). Mr. Ye obtained a bachelor's degree in Accounting from Shanghai University of Finance and Economics in 2007.

SENIOR MANAGEMENT

Mr. Gong Xiang (龔翔) ("**Mr. Gong**"), aged 32, is the Board secretary and assistant to chairman of our Group and is primarily responsible for administration.

Mr. Gong has over 10 years of experience in management and administration. He was a salesman at Jiangxi Zhonghai Logistics Company Limited (江西中海物流有限公司) from February 2011 to March 2012 and a general manager of the Nan Chang branch office of Beijing Fuji Biaoshang Technology Co., Ltd. (北京富基標商科技有限公司南昌分公司) from June 2012 to August 2014 before joining our Group.

Mr. Gong graduated from Jiangxi Vocational College of Finance and Economics (江西財經職業學院) with a college degree majoring in accounting and audit in July 2011.

Save as disclosed above, each of the Directors and senior management (i) did not hold other positions in the Company or other members of the Group; and (ii) had no other relationship with any Directors, senior management members or substantial or controlling shareholders.

The Board has pleasure in presenting the report of the Directors and the audited consolidated financial statements of the Group for the FY2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in sourcing, processing and trading of dried delicacies, snacks, dried aquatic products, grains, seasonings and others in the PRC. Particulars of the subsidiaries are set out in note 39 to the audited consolidated financial statements.

BUSINESS REVIEW

A review on the Group's business for the FY2023 is set out under the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

The Group has developed environmental protection measures and policies to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust etc. in the course of production or other activities in accordance with the applicable environmental laws and regulations.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental activities which benefit the community.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners, and improve the quality of services and products to the customers. Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and regular training courses are provided for its workers operation of different types of machinery, as well as work safety. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in the PRC. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the above jurisdiction. During the FY2023 and up to the date of this annual report, the Group's operations have complied with all the relevant laws and regulations in the above jurisdictions in all material respects.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 31 May 2024 and a notice convening the AGM will be published on the websites of the Company and the Stock Exchange in due course.

RESULTS

The Group's result for the FY2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

The Board did not recommend the payment of a final dividend for FY2023 (2022: Nil).

DIVIDENDS POLICY AND DIVIDEND

The Directors acknowledge the importance of stakeholders' engagement and would contemplate at least two times a year (prior to the announcement of annual and interim results) on the distribution of a dividend. While the Directors endeavour to share the Group's results with shareholders by way of a dividend, the portion and actual amount of distribution out of profits will be determined by the Directors having regard to a variety of factors, including but not limited to the Group's actual and expecting operating results and conditions, gearing level, general financial condition, availability of cash, future plans and funding needs for expansion.

The Board did not recommend the payment of a final dividend for FY2023 (2022: Nil). There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 28 May 2024 to 31 May 2024, both dates inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 27 May 2024.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 46 of this annual report. Such summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the FY2023 are set out in note 34 to the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the FY2023 are set out in the consolidated statement of changes in equity set out on page 48 of this annual report.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to the Shareholders as at 31 December 2023 amounted to RMB55.6 million, subject to the applicable statutory requirements under the laws of the Cayman Islands.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the FY2023 and up to and including the date of this annual report.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year, the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During the FY2023, the five largest customers of the Group accounted for approximately 79% of the total revenue and sales to the largest customer accounted for approximately 41% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 40% of its operating costs for the FY2023. Purchases from the largest supplier accounted for about 11% of its operating costs for the FY2023.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5.0% of the issued share capital of the Company) had an interest in these major customers or suppliers.

CONNECTED TRANSACTION

During the FY2023, there was no connected transaction or continuing connected transaction of the Company under Chapter 14A of the Listing Rules which were required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 29 and note 41 to the audited consolidated financial statements. The Board confirmed that none of these related party transactions constitutes a discloseable connected transaction as defined under chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

Each of Mr. Yang, Ms. Lin, Shengyao Investment Group Limited ("**Sheng Yao Investment**"), Trendy Peak International Limited ("**Trendy Peak**"), Nanchang Tongli Enterprise Management Center (Limited Partnership)* (南昌市同利企業管理中心(有限合夥)) ("**Nanchang Tongli LP**") and Prosperous Season Group Limited ("**Prosperous Season**") (together the "**Controlling Shareholder(s)**") have entered into the deed of non-competition dated 16 December 2022 in favour of the Company, in respect of certain non-competition undertakings given by the Controlling Shareholders in favour of the Company. The Controlling Shareholders have given an unconditional and irrevocable non-competition undertaking in favour of our Company and its subsidiaries to protect the Group from any potential competition with the Controlling Shareholders. The Controlling Shareholders have confirmed full compliance with the terms of the non-competition undertaking during the FY2023.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2023 are set out in note 32 to the audited consolidated financial statements.

DONATIONS

During the FY2023, the Group did not make any charitable and other donations.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the FY2023 are set out in note 18 to the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders of the Company.

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the FY2023.

During the FY2023, the Company had not entered into or maintained any equity-linked agreements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS

The Directors of the Company during the FY2023 and up to the date of this annual report are as follow.

	Appointed on
Executive Directors	
Mr. Yang Shengyao *(Chairman and Chief Executive Officer)*	31 March 2020
Ms. Lin Qiuyun	20 June 2022
Mr. Li Hui	20 June 2022
Independent Non-executive Directors	
Mr. Li Taihong *(resigned on 29 February 2024)*	16 December 2022
Mr. Lau Jing Yeung William	16 December 2022
Mr. Lee Kwok Tung Louis *(resigned on 29 February 2024)*	16 December 2022
Mr. Hu Ruiwo	29 February 2024
Mr. Ye Sangzhi	29 February 2024

In accordance with article 108 of the Company's articles of association, Mr. Li Hui and Mr. Lau Jing Yeung William will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming AGM. In accordance with article 112 of the Company's articles of association, Mr. Hu Ruiwo and Mr. Ye Sangzhi will hold office until the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

INDEPENDENT NON-EXECUTIVE DIRECTORS

To the best knowledge and information of the Board having made reasonable enquiries, the independence criteria under Rule 3.13 of the Listing Rules remain satisfied by each of the independent non-executive Directors. Therefore, the Company considers that the independent non-executive Directors remain to be independent.

DIRECTORS' SERVICE CONTRACT

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from 16 December 2022, which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. The service contracts may be renewed in accordance with the Company's articles of association and the applicable Listing Rules.

Each of our independent non-executive Directors, Mr. Lau, Mr. Li Taihong (resigned on 29 February 2024) and Mr. Lee Kwok Tung Louis (resigned on 29 February 2024) has signed an appointment letter with our Company for an initial fixed term of three years commencing from 16 December 2022, which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors, Mr. Hu Ruiwo and Mr. Ye Sangzhi has signed an appointment letter with our Company for an initial fixed term of three years commencing from 29 February 2024, which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other. The appointments are subject to the provisions of the Company's articles of association of with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Company's articles of association.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

DIRECTORS' REMUNERATION

The remuneration committee of the Board (the "**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. The remunerations of the Directors are determined with reference to market terms, seniority, experiences, duties and responsibilities assumed by each Director as well as their individual performance. The Directors' remuneration including the Directors' fees is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee for the Board's approval, having regard to the operating results of the Group, individual performance and comparable market statistics. Details of emoluments of the Directors are set out in note 13 to the audited consolidated financial statements.

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 FY2023.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connected party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the FY2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS

As at 31 December 2023, the interests and short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept under sections 336 and 352 of the SFO, or as notified the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules, are as follows:

(i) Director's interest in the Company

Name of Director	Capacity/nature	Number of Shares held/ Interested in	Long/short position	Approximate percentage of shareholding as at 31 December 2023
Mr. Yang	Interest in a controlled corporation	190,207,478(1)	Long	23.78%
	Interest in a controlled corporation	93,080,255(2)	Long	11.64%
	Interest of spouse	103,397,174(3)	Long	12.92%
Ms. Lin	Interest in a controlled corporation	103,397,174(4)	Long	12.92%
	Interest of spouse	283,287,733(3)	Long	35.42%
Mr. Li Hui	Interest in a controlled corporation	54,320,565(5)	Long	6.79%

Notes:

(1) The Company is held as to 23.78% by Shengyao Investment. The issued share capital of Shengyao Investment is ultimately wholly owned by Mr. Yang. Therefore, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Shengyao Investment for the purpose of the SFO.

(2) The Company is held as to 11.64% by Prosperous Season Group Limited ("**Prosperous Season**"). The issued share capital of Prosperous Season is wholly owned by Nanchang Tongli LP, which is a limited partnership established in the PRC managed and controlled by Mr. Yang as the general partner. Accordingly, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Prosperous Season for the purpose of the SFO.

(3) Mr. Yang and Ms. Lin are spouses. Under the SFO, each of Mr. Yang and Ms. Lin is deemed to be interested in the Shares that the other person is interested in.

(4) The Company is held as to 12.92% by Trendy Peak. The issued share capital of Trendy Peak is ultimately wholly owned by Ms. Lin. Therefore, Ms. Lin is deemed, or taken to be, interested in all the Shares held by Trendy Peak for the purpose of the SFO.

(5) The Company is held as to 6.79% by Best Talent Venture Holdings Limited ("**Best Talent**"). The issued share capital of Best Talent is ultimately wholly owned as to 57.14%, 23.81% and 19.05% by Mr. Li, Mr. Wu Bangjun and Mr. Luo Zikang, respectively. Therefore, Mr. Li is deemed, or taken to be, interested in all the Shares held by Best Talent for the purpose of the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

So far as the Directors are aware, as at 31 December 2023, the interest and short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interest in the Company

Name of shareholder	Capacity/nature	Number of Shares/ underlying Shares held/ interested in	Long/short position	Approximate percentage of shareholding as at 31 December 2023
Shengyao Investment	Beneficial owner	190,207,478[1]	Long	23.78%
Nanchang County Cultural Tourism Investment Co., Ltd.* (南昌縣文化旅遊投資有限公司) ("**Nanchang Tourism**")	Beneficial owner	146,000,000[2]	Long	18.25%
Nanchang Science Industry and Information Technology Bureau* (南昌縣科技和工業信息化局) ("**Nanchang Science Bureau**")	Interest in a controlled corporation	146,000,000[2]	Long	18.25%
Trendy Peak International Limited ("**Trendy Peak**")	Beneficial owner	103,397,174[3]	Long	12.92%
Nanchang Tongli LP	Interest in a controlled corporation	93,080,255[4]	Long	11.64%
Prosperous Season	Beneficial owner	93,080,255[4]	Long	11.64%
Best Talent	Beneficial owner	54,320,565[5]	Long	6.79%
Nanchang County Changnan Financial Control Fund Management Co., Ltd.* (南昌縣昌南金控基金管理有限公司) ("**Changnan Fund**")	Interest in a controlled corporation	50,216,598[6]	Long	6.28%
Chang Nan Financial Control Limited ("**Chang Nan Financial**")	Beneficial owner	50,216,598[6]	Long	6.28%
Pluto Universal Holdings Limited ("**Pluto Universal**")	Beneficial owner	42,293,662[7]	Long	5.29%
Mr. Lei Junfeng ("**Mr. Lei**")	Interest in a controlled corporation	42,293,662[7]	Long	5.29%

Notes:

(1) Shengyao Investment is wholly owned by Mr. Yang. Accordingly, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Shengyao Investment for the purpose of the SFO.

(2) On 28 July 2023, Shengyao Investment pledged 146,000,000 Shares in favour of Nanchang Tourism as security for a financial assistance ("**Financial Assistance**") in the limit of up to RMB60,000,000 provided by Nanchang Tourism to Jiangxi Zhengwei Food Co., Ltd* (江西正味食品有限公司) ("**Jiangxi Zhengwei**") and Jiangxi Leweijia Food Co., Ltd.* (江西樂味佳食品有限公司) (" **Jiangxi Leweijia** "), each an indirect wholly-owned subsidiary of the Company. Nanchang Tourism is wholly owned by Nanchang Science Bureau. Accordingly, Nanchang Science Bureau is deemed, or taken to be, interested in all the Shares held by Nanchang Tourism for the purpose of the SFO.

(3) Trendy Peak is wholly owned by Ms. Lin. Accordingly, Ms. Lin is deemed, or taken to be, interested in all the Shares held by Trendy Peak for the purpose of the SFO.

(4) Prosperous Season is wholly owned by Nanchang Tongli LP, which is a limited partnership established in the PRC managed and controlled by Mr. Yang as the general partner. Accordingly, Mr. Yang is deemed, or taken to be, interested in all the Shares held by Prosperous Season for the purpose of the SFO.

(5) Best Talent is wholly owned as to 57.14%, 23.81% and 19.05% by Mr. Li, Mr. Wu Bangjun and Mr. Luo Zikang, respectively. Accordingly, Mr. Li is deemed, or taken to be, interested in all the Shares held by Best Talent for the purpose of the SFO.

(6) Chang Nan Financial is wholly owned by Changnan Fund, a limited liability company established under the laws of the PRC and is ultimately wholly owned by Nanchang Science Bureau.

(7) Pluto Universal is wholly owned by Mr. Lei. Accordingly, Mr. Lei is deemed, or taken to be, interested in all the Shares held by Pluto Universal for the purpose of the SFO.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the Shares or underlying Shares which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE SCHEME

The Company has not adopted any share scheme or long-term incentive scheme prior to and upon Listing, as well as during the FY2023.

CORPORATE GOVERNANCE

Save as disclosed in this annual report, the Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules (the "**CG Code**") since the Listing Date to 31 December 2023. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

SIGNIFICANT LEGAL PROCEEDINGS

During the FY2023, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association and subject to the applicable laws and regulations, the Directors are indemnified and secured harmless out of the assets of the Company against all losses and liabilities which may incur or sustain in execution of their duty, except such which they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out directors' liability insurance during the FY2023 that provides the appropriate coverage for the Directors.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Directors confirm that the Company had maintained the prescribed public float under the Listing Rules.

PRINCIPAL RISK AND UNCERTAINTY

The Group is subject to different risks in the operations of its business and the Group strives to ensure effective risk management system is in place. Major operational risks faced by the Group include: (i) any failure to maintain an effective quality control system or to adhere to our quality standards could have a material adverse effect on our business, financial condition and operating results, as well as our brand and reputation; (ii) we may face product liability claims related to our raw materials and our products, but we do not maintain any product liability insurance; (iii) we may not be able to maintain a stable supply of raw materials and the availability of our raw materials could be subject to weather conditions and global climate changes; (iv) we are susceptible to fluctuations in raw materials prices; (v) if our customers fail to receive their products as scheduled, our sales and reputation may be materially and adversely affected; and (vi) dried food and snack production in the PRC are highly competitive, and our efforts in developing, launching and promoting new products may not be successful.

In addition, the Group is also exposed to market risks, including interest rate, credit and liquidity risks that are associated with our ordinary course of business. Details of the above risks and mitigation thereof are set out in note 42 to the audited consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Change of auditor of the Company

BDO Limited resigned as the auditor of the Company with effect from 17 January 2024, as the Company and BDO Limited were unable to reach a consensus on the revised audit fee for FY2023. With the recommendation from the audit committee of the Board (the "**Audit Committee**"), it has resolved to appoint CCTH CPA Limited as the new auditor of the Company with effect from 17 January 2024 to fill the casual vacancy following the resignation of BDO Limited and to hold office until the conclusion of the next annual general meeting of the Company. For more details regarding the change of auditor of the Company, please refer to the announcement of the Company dated 17 January 2024.

Rule 13.17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") disclosure

On 28 July 2023, Jiangxi Zhengwei and Jiangxi Leweijia, each an indirect wholly-owned subsidiary of the Company, entered into a supply chain service agreement (the "**Supply Chain Service Agreement**") with Nanchang Tourism, an independent third party. Pursuant to the Supply Chain Service Agreement, Shengyao Investment, one of the controlling shareholders of the Company and a company wholly-owned by Mr. Yang, the chairman, an executive Director and one of the controlling shareholders of the Company, has agreed to pledge 146,000,000 shares of nominal value of US$0.01 each in the share capital of the Company (the "**Pledged Shares**") held by it in favour of Nanchang Tourism as security for the Financial Assistance in the limit of up to RMB60,000,000 (the "**Consideration**") provided by Nanchang Tourism to Jiangxi Zhengwei and Jiangxi Leweijia.

In view of the recent downward trend of the trading price of the Shares which affects the value of the Pledged Shares, on 8 February 2024, Jiangxi Zhengwei and Jiangxi Leweijia and Shengyao Investment entered into a supplemental agreement (the "**Supplemental Agreement**") with Nanchang Tourism, for the purpose of supplementing the terms of the Supply Chain Service Agreement. Pursuant to the Supplemental Agreement, when the closing market price of the Pledged Shares on a trading day becomes lower than two times of the Consideration, Jiangxi Zhengwei, Jiangxi Leweijia and Shengyao Investment shall provide additional security to Nanchang Tourism, ensuring the value of the assets being pledged is at least two times higher than the Consideration. Pursuant to the Supplemental Agreement, Shengyao Investment has also agreed to pledge 190,207,478 Shares, instead of 146,000,000 Shares as stipulated in the Supply Chain Service Agreement, held by Shengyao Investment in favour of Nanchang Tourism as security for the Financial Assistance provided by Nanchang Tourism to Jiangxi Zhengwei and Jiangxi Leweijia.

On 8 February 2024, Prosperous Season (one of the controlling shareholders (as defined in the Listing Rules) of the Company and a company wholly-owned by Nanchang Tongli LP, which is a limited partnership established in the People's Republic of China managed and controlled by Mr. Yang as the general partner) entered into a share charge agreement (the "**Share Charge Agreement**") with Nanchang Tourism, pursuant to which Prosperous Season has agreed to pledge 93,080,255 Shares held by Prosperous Season as a further security for the Financial Assistance provided by Nanchang Tourism to Jiangxi Zhengwei and Jiangxi Leweijia.

As at the date of this annual report, (i) Shengyao Investment holds 190,207,478 Shares, representing approximately 23.78% of the issued share capital of the Company and the 190,207,478 pledged Shares under the Supplemental Agreement represent approximately 23.78% of the issued share capital of the Company; and (ii) Prosperous Season holds 93,080,255 Shares, representing approximately 11.64% of the issued share capital of the Company and the 93,080,255 pledged Shares under the Share Charge Agreement represent approximately 11.64% of the issued share capital of the Company.

Please refer to the announcement and the supplemental announcement of the Company dated 28 July 2023 and 8 February 2024, respectively, for further details of the above arrangements. Save as disclosed above, there are no other material events affecting the Group since 31 December 2023 and up to the date of this annual report.

AUDITOR

Following the resignation of BDO Limited as auditor of the Company on 17 January 2024, CCTH CPA Limited was appointed as new auditor of the Company with effect from 17 January 2024 to fill the casual vacancy, and to hold office until the conclusion of the next AGM.

The consolidated financial statements of the Company for FY2023 have been audited by CCTH CPA Limited while the consolidated financial statements for FY2022 were audited by BDO Limited. CCTH CPA Limited will retire, and being eligible, offer themselves for appointment at the forthcoming AGM.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference. The Audit Committee currently comprises three independent non-executive Directors, Mr. Lau, Mr. Hu and Mr. Ye. Mr. Lau is the chairman of the Audit Committee. The primary duties of the Audit Committee include but not limited to supervising our internal control, risk management, financial information disclosure and financial reporting matters. Their composition and written terms of reference are in line with the CG Code.

The Group's audited annual results for FY2023 have been reviewed by the Audit Committee. The Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

By order of the Board
Zhengwei Group Holdings Company Limited
Mr. Yang Shengyao
Chairman

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on principles and code provisions as set out in the CG Code. Since the Listing Date to 31 December 2023, save for the deviation from code provision C.2.1 of the CG Code as disclosed in the paragraph headed "Chairman and Chief Executive Officer" below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. Mr. Yang is the chairman of the Board and the chief executive officer of the Company. Considering that Mr. Yang has been operating and managing the Group since its foundation, the Board believes that it is in the best interest of the Group to have Mr. Yang taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance. The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors and supervisors' securities transactions since the Listing Date to 31 December 2023.

BOARD OF DIRECTORS

The Board is responsible for leading and directing the Group's business through establishment of a healthy corporate culture, formulation of overall strategies and policies, evaluation of performance and overseeing the management function. The Group has established a corporate culture which embraces innovation, creativity and receptiveness to change. The Board plays a leading role in defining the purpose, values and strategic direction of the Group which are aligned with the corporate culture. The corporate culture is reflected consistently in the business development of the Group, daily business operating practices as well as relation with stakeholders.

The principal objective of the Company is to strive for long-term return for all its stakeholders. The Group explores opportunities to enhance shareholders' returns, which includes but not limits to expending our sales network and concessionary counter network in Southwestern China and implementing promotional activities with supermarket chain customers.

In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team.

The Board has established mechanisms to ensure independent views and input are available to the Board. In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the nomination committee of the Board (the "**Nomination Committee**") and the Board are committed to assessing the Directors' independence annually with regards 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 and firm commitment to their independency;
- time commitment and attention to the Company's affairs;
- 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;
- further re-appointment of an independent non-executive Director (including the long-serving Independent Non-executive Director) is subject to a separate resolution to be approved by the shareholders; and an assessment on whether the independent non-executive Director is still independent and should be re-elected;
- Chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors;
- Independent non-executive Director as the chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee.

The current composition of the Board has a strong independence element and provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal. The independent non-executive Directors also provide independent judgment in the Board's overall decision making process. The Board will seek advice from external advisors including legal and other professional advisors, if necessary, to facilitate formulating important and independent decisions. The Board reviews the implementation and effectiveness of the board independence mechanism on an annual basis. The Board has reviewed the implementation and effectiveness of the board independence mechanism for the FY2023 and considers it to be effective.

The composition of the Board and the attendance record of each Director at board meetings and general meeting since the Listing Date to 31 December 2023 are as below:

		Attendance/Meeting held	
	Appointed on	Board meeting	Annual general meeting
Executive Directors			
Mr. Yang Shengyao *(Chairman and Chief Executive Officer)*	31 March 2020	4/4	1/1
Ms. Lin Qiuyun	20 June 2022	4/4	1/1
Mr. Li Hui	20 June 2022	4/4	1/1
Independent Non-executive Directors			
Mr. Li Taihong *(Note)*	16 December 2022	4/4	0/1
Mr. Lau Jing Yeung William	16 December 2022	4/4	1/1
Mr. Lee Kwok Tung Louis *(Note)*	16 December 2022	4/4	1/1

Note: On 29 February 2024, each of Mr. Li Taihong and Mr. Lee Kwok Tung Louis resigned as an independent non-executive Director and Mr. Hu Ruiwo and Mr. Ye Sangzhi have been appointed as independent non-executive Directors with effect from 29 February 2024.

Biographical details of and the relationship amongst the Directors are presented in the section headed "Directors and Senior Management" in this annual report. A list of the Directors identifying their roles and functions is available on the Stock Exchange's and the Company's websites.

CONTINUING PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

Each of the Directors (being Mr. Yang, Ms. Lin, Mr. Li Hui, Mr. Li Taihong, Mr. Lau Jing Yeung William and Mr. Lee Kwok Tung Louis) has complied with code provision C.1.4 of the CG Code and has participated in continuous professional development to develop and refresh their knowledge and skills for the FY2023. Each of the Directors has attended seminars organized by the Company or external institutions to update the knowledge of Listing rules and directors' duties and has read materials relevant to the Group's business. Each of the Directors has provided his or her training records to the Company on a yearly basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, all independent non-executive Directors will continue to make various contributions to the Company.

During the FY2023, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors represents at least one-third of the Board.

FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE BOARD

The Board, headed by the chairman of the Board, is responsible for the leadership and control of the Company and oversees of the Group's business, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. This should have been delegated to the board committees. Also, the Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as specified in code provision A.2.1 of the CG code.

The functions and duties of the Board include, but are not limited to, convening the general meetings, reporting on the performance of the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating annual financial budget and final accounts, formulating the Company's proposals for profit distributions, and formulating proposals for increase or reduction of capital as well as exercising other powers, functions and duties as conformed by the articles of association of the Company.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

The Board has assigned the powers and responsibilities of the Group's daily operations, management and administration to the senior management of the Company. The Board regularly reviews the functions and powers delegated to ensure that the assignments are still appropriate. To oversee specific aspects of the Company's affairs, the Board has established three board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has assigned responsibilities to the Board committees in accordance with their respective scopes of powers and functions.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Board Meetings and Board Committee Meetings

The Company's articles of association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year at approximately quarterly intervals, to consider, among others, operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board. Not less than 14 days' notices are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. During the Reporting Period, four regular Board meetings were held.

For other Board and Board committee meetings, reasonable notice is generally given in the circumstances. The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of the Board meetings and committee meetings are recorded in sufficient details in respect of matters considered by the Board and committees and the decisions reached, with copies circulated to all Directors or Board committee members for information and records within a reasonable time after the date of the meeting. Final version of these minutes are available for inspection by Directors. Directors who have conflicts of interest in a resolution are required to abstain from voting.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

On 29 February 2024, each of Mr. Li Taihong and Mr. Lee Kwok Tung Louis resigned as an independent non-executive Director. Following their resignations, Mr. Li Taihong has ceased to be the chairman of the Remuneration Committee, the chairman of the Nomination Committee and a member of the Audit Committee and Mr. Lee Kwok Tung Louis has ceased to be a member of the Audit Committee with effect from 29 February 2024.

Mr. Hu Ruiwo and Mr. Ye Sangzhi have been appointed as independent non-executive Directors with effect from 29 February 2024. Following their appointments, Mr. Hu Ruiwo has also been appointed as the chairman of the Remuneration Committee, the chairman of the Nomination Committee and a member of the Audit Committee and Mr. Ye Sangzhi has also been appointed as a member of the Audit Committee. Each of Mr. Hu Ruiwo and Mr. Ye Sangzhi has obtained legal advice referred to in Rule 3.09D of the Listing Rules on 28 February 2024, and has confirmed that he understood his obligations as a director of the Company.

CHANGE IN INFORMATION OF DIRECTORS

There was no change in information of Directors which shall be disclosed under paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Listing Date and up to the date of this annual report.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, age, culture, education background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Board comprises six Directors, including three executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and skills, including knowledge and skills in the business of food industry, finance and accounting. They obtained degrees in various majors including software engineering, economics, accounting and audit and administration. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board comprises Directors of a wide range of age, ranging from 37 years old to 51 years old.

The Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. As at the date of this annual report, we had one female Director on the Board and the Board targets to maintain at least one female Director. Therefore, the Board considers that gender diversity of the Board has been achieved since Listing. When selecting and making recommendations on suitable candidates as Directors in the future, the Nomination Committee will continue to consider the appointments of such candidates as Directors with reference to the diversity policy of the Company and take opportunities to increase the proportion of female Directors on the Board.

The Nomination Committee is responsible for ensuring the diversity of the Board. After the Listing, our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation and effectiveness of the board diversity policy on an annual basis.

The Group's diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the FY2023. As at the date of this annual report, 29.41% of the Group's senior management and 70.73% of the Group's total workforce are female. The Group will continue its endeavor to increase female representation in its workforce.

The Board has reviewed the implementation and effectiveness of the board diversity policy of the Company for the FY2023 and considers it to be effective.

DIVIDEND POLICY

The declaration of future dividend will be subject to the recommendation of the Board and approval of the Shareholders in general meetings or, in the case of interim dividends, subject to the approval of the Board in accordance with the Company's articles of association. The amount of any dividends to be declared by our Company in any given year in the future will depend on, among others, our Group's results of operations, available cashflows and financial conditions, operating capital and regulations and any other factors that our Directors deem relevant. The payment of dividend may also be limited by legal restrictions and agreements that our Group may enter into in the future. The Company does not currently have a fixed dividend policy nor any predetermined dividend payout ratio.

At the meeting of the Board held on 28 March 2024, the Board did not recommend any payment of a final dividend for the FY2023.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established three committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee of the Board and in accordance with the relevant laws and regulations and the applicable corporate governance practices under the Listing Rules. The composition of each committee of the Board and attendance of members at committee meeting held since the Listing Date up to 31 December 2023 are as follow.

Composition of Board committees	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
	Attendance/Number of meetings held (C=Chairman; M=Member of the Committee)		
Independent Non-executive Directors			
Mr. Li Taihong *(Note 1)*	3/3(M)	1/1(C)	1/1(C)
Mr. Lau Jing Yeung William	3/3(C)	1/1(M)	1/1(M)
Mr. Lee Kwok Tung Louis *(Note 2)*	3/3(M)	N/A	N/A
Executive Directors			
Mr. Yang Shengyao *(Chairman and Chief Executive Officer)*	N/A	1/1(M)	1/1(M)
Ms. Lin Qiuyun	N/A	N/A	N/A
Mr. Li Hui	N/A	N/A	N/A

Notes:

(1) Mr. Li Taihong resigned as an independent non-executive Director on 29 February 2024 and following his resignation, he ceased to be the chairman of the Remuneration Committee, the chairman of Nomination Committee and a member of the Audit Committee with effect from 29 February 2024. Mr. Hu Ruiwo has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee, the chairman of Nomination Committee and a member of the Audit Committee with effect from 29 February 2024.

(2) Mr. Lee Kwok Tung Louis resigned as an independent non-executive Director on 29 February 2024 and following his resignation, he ceased to be a member of the Audit Committee with effect from 29 February 2024. Mr. Ye Sangzhi has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 29 February 2024.

Audit committee

As at 31 December 2023, the Audit Committee comprised three members, namely Mr. Lau Jing Yeung William, Mr. Li Taihong and Mr. Lee Kwok Tung Louis. Mr. Lau Jing Yeung William is the chairman of the Audit Committee, and he possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee was established on 16 December 2022 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph D.3.3 of the CG Code have been adopted. The primary roles of the Audit Committee include, but not limited to (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

The Audit Committee has discussed with the external auditors of the Company, BDO Limited and CCTH CPA Limited, and reviewed the annual and interim financial results and report, respectively, and discussed with CCTH CPA Limited the major internal audit issues and the effectiveness of the risk management (including ESG risk management) and internal control systems of the Group.

The Audit Committee has reviewed, among others, the proposed audit fees of BDO Limited and CCTH CPA Limited for the year ended 31 December 2023. Having taken into account of various factors, the Audit Committee recommended the Board to appoint CCTH CPA Limited as the auditor of the Company for the year ended 31 December 2023. For further details of the change of auditor of the Company, please refer to the announcement of the Company dated 17 January 2024. Having reviewed the remuneration of CCTH CPA Limited as the auditor of the Company for the year ended 31 December 2023, the Audit Committee has also recommended the Board to re-appoint CCTH CPA Limited as the auditor of the Company for the year ending 31 December 2024, subject to approval by the Shareholders at the upcoming annual general meeting of the Company.

Remuneration committee

As at 31 December 2023, the Remuneration Committee comprised three members, namely Mr. Li Taihong, Mr. Yang Shengyao and Mr. Lau Jing Yeung William, and is chaired by Mr. Li Taihong.

The Remuneration Committee was established on 16 December 2022 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph E.1.2 of the CG Code have been adopted. The primary roles of the Remuneration Committee include, among other things, making recommendations to the Board on our Company's policy for human resource management as well as establishing, reviewing policies and structure in relation to remuneration for our Directors and senior management and review/approve matters relating to the share schemes under Chapter 17 of the Listing Rules. During the FY2023, the Remuneration Committee held one meeting in which it reviewed the existing Company's policy and structure for all Directors' and senior management remuneration by reference with the market research and current market circumstance and make recommendations to the Board on the remuneration of non-executive directors. No Director took part in any discussion about his/her own remuneration.

The Remuneration Committee has reviewed and made recommendations to the Board on the overall remuneration policy and structure for Directors and senior management and reviewed the remuneration of Directors and senior management and other matters for the year ended 31 December 2023.

Remuneration Policy

The remuneration of Directors and senior management is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions.

Details of the Directors' remuneration are set out in note 13 to the audited consolidated financial statements. The annual remuneration of the senior management by bands for FY2023 is set out below:

Remuneration to the senior management by bands	**Number of individuals**
Nil to HK$500,000	4
HK$500,001 to HK$1,000,000	2

Nomination committee

As at 31 December 2023, the Nomination Committee comprised three members, namely Mr. Li Taihong, Mr. Yang Shengyao and Mr. Lau Jing Yeung William, and is chaired by Mr. Li Taihong.

The Nomination Committee was established on 16 December 2022 in compliance with Rule 3.27A of the Listing Rules. Written terms of reference in compliance with paragraph B.3.1 of the CG Code have been adopted. The primary roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (c) assessing the independence of our independent non-executive Directors.

Nomination Policy

The nomination policy sets out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship. These criteria and procedures are designed to assist and enable the Board to have all the relevant information and necessary recommendations for determining the suitability of a candidate for appointment so that the Board shall continue to have a balance of skills, experience and diversity of perspectives appropriate to the requirements and ongoing and future development of the Company's business.

The Nomination Committee shall consider a variety of factors in assessing the suitability of a proposed candidate for directorship, including but not limited to the following selection criteria:

- Board diversity policy that takes into consideration a number of factors including gender, age, cultural and educational background, skills, knowledge, industry and professional experience, business perspectives and the legitimate interests of the Company's principal shareholders;

- the candidate's commitment in respect of available time and relevant interest, in particular, whether the candidate would be able to devote sufficient time to effectively carry out his/her duties;

– reputation for integrity of the candidate;

– independence of the candidate; and

– accomplishment and experience of the candidate which is relevant to the Company's industry and business.

Candidates for appointment as Directors may also be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise and experience.

Nomination Procedures

The nomination procedures adopted by the Nomination Committee are set forth below:

– a meeting of the Nomination Committee shall be called, nominations of candidate(s) from Board members shall be invited, if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidate(s) who are not nominated by Board members;

– for filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval;

– for proposing candidate(s) to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation; and

– the Board shall have the final decision on all matters relating to the proposed appointment of candidate(s) and recommendation of candidate(s) to stand for election at any general meeting.

EXTERNAL AUDITOR

As at 31 December 2023, the auditor was CCTH CPA Limited who provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Accounting Standards Board ("**HKASB**") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

For the year ended 31 December 2023, the remuneration paid to our independent auditor, CCTH CPA Limited, for audit services is set out below:

Service category	RMB'000
Audit services	660
Non audit services	40
	700

BDO Limited resigned as auditor of the Company on 17 January 2024 and CCTH CPA Limited was appointed as new auditor of the Company with effect from 17 January 2024. The consolidated financial statements of the Company for FY2023 have been audited by CCTH CPA Limited.

The statement of the auditor, CCTH CPA Limited, regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 40 to 44 of this annual report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the financial position of the Group. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 40 to 44 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for formulating and overseeing the on-going implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

The management is primarily in charge of designing, implementing and monitoring the risk management and internal control systems. Management identifies and prioritizes the key potential risks of the Group through detailed assessment process. With the regular reports to the Board, the Board, through the Audit Committee, reviews the potential risks and risk appetite of the Group and provide recommendation on appropriate risk responses to ensure risk management effectiveness. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the FY2023, the Group has established the internal audit and compliance department to conducts regular internal audit review across principal divisions of the Group and reported their findings with improvements directly to the Audit Committee on a regular basis to ensure the internal controls are in place and adopted properly. The department has also carried out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group annually. Based on the analysis provided by the internal audit and compliance department, the Board, through the Audit Committee, would review the risk management and internal control systems of the Group annually which covered the period of a whole financial year.

With the discussion among management, the internal audit and compliance department and the Audit Committee, the Board considers that the risk management and internal control systems of the Group were effective and adequate during the Reporting Period. The review of the risk management and internal control systems of the Group is an ongoing process which the Board will review them annually and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chan Ngai Fan, is an external service provider. The Company's primary contact with the company secretary of the Company is our chairman, Mr. Yang.

During the FY2023, Mr. Chan Ngai Fan has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

A separate ESG report will be published by the Company on the same date with the publication of this annual report in accordance with Appendix C2 to the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum and articles of association of the Company from since the Listing Date up to 31 December 2023.

A copy of the memorandum and articles of association of the Company is posted on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Under the articles of association of the Company, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the company secretary of the Company at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Unit 12, 12/F., Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Computershare Hong Kong Investor Services Limited, at 17M Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) at least seven clear days before the date of the general meeting.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company endeavours to maintain an on-going dialogue with shareholders. To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports, announcements and circulars are issued in printed form and are available on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.zhengwei100.com;

(ii) the Company's constitution document and terms of reference of board committees are also available for download at the website of the Stock Exchange Company's website and at Company's website; and

(iii) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Board. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, annual and extraordinary general meetings to answer questions from shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong (at Unit 12, 12/F., Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong).

Having considered and reviewed the various existing channels of communication, the Company considers that the Shareholders' communication policy has been properly implemented and effective during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ZHENGWEI GROUP HOLDINGS COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhengwei Group Holdings Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 45 to 123, which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
Loss allowance for trade receivables	
The Group's trade receivables were significant as they represented 17.7% of the Group's total assets as at 31 December 2023. Net trade receivables amounted to HK$92,300,000 as at 31 December 2023, against which an allowance for expected credit losses ("**ECLs**") of less than one thousands Renminbi was made. The Group calculates the ECLs for trade receivables, which is determined based on historical observed default rates over the expected life of the debtors and are adjusted for supportable forward-looking information that is reasonable and supportable available without due costs or effort. The impairment assessment of trade receivables requires significant management's judgement and estimation. As such, we determined this as a key audit matter. The Group's disclosures of the loss allowance for trade receivables included in notes 4(i), 5 and 24 to the consolidated financial statements.	Our procedures in relation to loss allowance for trade receivables included: – Evaluating the Group's processes and controls relating to the monitoring of trade receivables and credit risks of customers; – Requesting confirmations for selected debtors and checking to receipts from customers subsequent to the year end, and checking to monthly instalments repaid by third party debtors; – Evaluating management's assumptions and estimates used to determine the ECLs through analyses of the ageing of receivables, assessment of material overdue individual trade receivables, customers' payment history, credit report issued by the government authority and correspondences between the Group and the customers; – Evaluating management's assumptions and inputs used in the computation of historical loss rates and assessed the management's assumptions used in considering the forward-looking factors; and – Assessing the adequacy of the relevant disclosures in the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 31 March 2023.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- 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.

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2024
Kwong Tin Lap
Practising Certificate Number: P01953

Unit 1510-17, 15/F., Tower 2,
Kowloon Commerce Centre,
51 Kwai Cheong Road,
Kwai Chung, N.T.,
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	**445,214**	356,847
Cost of sales		**(297,954)**	(237,591)
Gross profit		**147,260**	119,256
Other income	7	**6,355**	775
Other gains and losses	8	**(164)**	423
Distribution and selling expenses		**(32,821)**	(27,799)
Administrative expenses		**(36,632)**	(27,724)
Reversal of impairment loss/(provision for impairment loss) on trade, deposits and other receivables, net		**120**	(60)
Listing expenses		**(4,515)**	(8,690)
Finance costs	9	**(2,904)**	(3,258)
Profit before income tax expense	10	**76,699**	52,923
Income tax expense	14	**(9,182)**	(6,226)
Profit for the year		**67,517**	46,697
Profit for the year attributable to:			
Owners of the Company		**67,517**	46,697
Profit for the year		**67,517**	46,697
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Changes in fair value of financial asset at fair value through other comprehensive income ("**FVOCI**")		**121**	112
Other comprehensive income for the year		**121**	112
Total comprehensive income for the year		**67,638**	46,809
Total comprehensive income for the year attributable to:			
Owners of the Company		**67,638**	46,809
Earnings per share			
– Basic and diluted (RMB)	16	**0.09**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	*17*	**107,149**	42,131
Right-of-use assets	*18*	**6,032**	6,171
Goodwill	*19*	**269**	269
Intangible assets	*20*	**–**	330
Financial asset at fair value through other comprehensive income	*21*	**1,354**	1,233
Prepayment for acquisition of land use rights	*25*	**9,525**	–
Deferred tax assets, net	*22*	**797**	946
Total non-current assets		**125,126**	51,080
Current assets			
Inventories	*23*	**98,272**	90,671
Trade receivables	*24*	**92,300**	64,016
Prepayments, deposits and other receivables	*25*	**7,736**	12,696
Right of return assets	*26*	**156**	1,152
Amounts due from shareholders	*32*	**–**	343
Cash and cash equivalents	*27*	**199,186**	156,831
Total current assets		**397,650**	325,709
Total assets		**522,776**	376,789
Current liabilities			
Trade payables	*28*	**48,360**	47,763
Other payables and accruals	*29*	**16,774**	21,891
Contract liabilities	*30*	**9**	506
Borrowings	*31*	**18,199**	44,477
Lease liabilities	*18*	**84**	84
Income tax payable		**2,415**	2,024
Total current liabilities		**85,841**	116,745
Net current assets		**311,809**	208,964
Total assets less current liabilities		**436,935**	260,044

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Borrowings	*31*	–	1,599
Total non-current liabilities		–	1,599
NET ASSETS		**436,882**	258,445
Equity attributable to owners of the Company			
Share capital	*33*	**55,580**	372
Reserves	*39*	**381,355**	258,073
TOTAL EQUITY		**436,935**	258,445

The consolidated Financial statements on pages 45 to 47 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Mr. Yang Shengyao
Executive director

Mr. Li Hui
Executive director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company								
	Share capital RMB'000 *(Note 33)*	**Share premium** RMB'000	**Capital reserve** RMB'000 *(Note 34)*	**Statutory reserve** RMB'000 *(Note 34)*	**Merger reserve** RMB'000 *(Note 34)*	**Property revaluation reserve** RMB'000 *(Note 34)*	**FVOCI reserve (non-recycling)** RMB'000 *(Note 34)*	**Retained earnings** RMB'000 *(Note 34)*	**Total equity** RMB'000
As at 1 January 2022	372	–	–	11,829	50,603	826	(379)	148,385	211,636
Profit for the year	–	–	–	–	–	–	–	46,697	46,697
Other comprehensive income									
– Fair value changes in financial assets at fair value through other comprehensive income	–	–	–	–	–	–	112	–	112
Total comprehensive income	–	–	–	–	–	–	112	46,697	46,809
Transfer from retained earnings to statutory reserve	–	–	–	4,576	–	–	–	(4,576)	–
As at 31 December 2022 and 1 January 2023	372	–	–	16,405	50,603	826	(267)	190,506	258,445
Profit for the year	–	–	–	–	–	–	–	67,517	67,517
Other comprehensive income									
– Fair value changes in financial assets at fair value through other comprehensive income	–	–	–	–	–	–	121	–	121
Total comprehensive income	–	–	–	–	–	–	121	67,517	67,638
Issuance of new shares	13,895	107,596	–	–	–	–	–	–	121,491
Expenses attributed to issuance of new shares	–	(10,639)	–	–	–	–	–	–	(10,639)
Capitalisation issue	41,313	(41,313)	–	–	–	–	–	–	–
Transfer from retained earnings to statutory reserve	–	–	–	4,596	–	–	–	(4,596)	–
As at 31 December 2023	55,580	55,644	–	21,001	50,603	826	(146)	253,605	436,638

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Profit before income tax expense		76,699	52,923
Adjustments for:			
Reversal for the provision of social insurance and housing provident fund	8	–	(481)
Depreciation of property, plant and equipment	10	6,010	3,620
Depreciation of right-of-use assets	10	223	223
Finance costs	9	2,904	3,258
Reversal of impairment loss on trade receivables, net		–	(4)
(Reversal)/provision of impairment loss on deposits and other receivables, net		(120)	64
Amortisation of intangible assets	10	330	358
Interest income	7	(646)	(386)
Write-down of inventories/(reversal of write-down)	10	334	(171)
Loss on disposal of property, plant and equipment	8	2	58
Operating cash flows before working capital changes		85,736	59,462
(Increase)/decrease in inventories		(7,935)	15,959
Increase in trade receivables		(28,284)	(849)
(Increase)/decrease in prepayments, deposits and other receivables		(602)	5,038
Decrease/(increase) in right of return assets		996	(334)
Increase in trade payables		597	5,252
(Decrease)/increase in other payables and accruals		(5,117)	7,993
Decrease in contract liabilities		(497)	(87)
Decrease in amounts due from shareholders		343	–
Cash generated from operations		45,237	92,434
Income tax paid		(8,642)	(10,022)
Net cash generated from operating activities		36,595	82,412
Cash flows from investing activities			
Purchases of property, plant and equipment		(71,075)	(2,856)
Prepayment for acquisition of land use rights		(9,525)	–
Interest received		646	386
Net cash used in investing activities		(79,909)	(2,470)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Repayment of principal portion of the lease liabilities	*40*	(84)	(84)
Proceeds from new borrowings	*40*	16,600	20,800
Repayment of borrowings	*40*	(44,477)	(64,464)
Interest paid	*40*	(2,904)	(4,177)
Repayment of advances to a shareholder	*40*	–	(9)
Proceeds from the Listing		121,491	–
Payment of deferred listing expenses		(4,957)	(2,498)
Net cash generated from/(used in) financing activities		85,669	(50,432)
Net increase in cash and cash equivalents		42,355	29,510
Cash and cash equivalents at the beginning of year		156,831	127,321
Cash and cash equivalents at the end of year		199,186	156,831
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		199,186	156,831

1. GENERAL INFORMATION

Zhengwei Group Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on 30 June 2020, as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKEx**") since 13 January 2023.

The registered office of the Company is located at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1–1106, the Cayman Islands. Its principal place of business is 487 Yuhu Road, Xiaolan Economic Development and Technology Zone, Nanchang County, Nanchang City, Jiangxi Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and the Group, comprising the Company and its subsidiaries, is principally engaged in sourcing, processing and trading of dried delicacies, snacks, dried aquatic products, grains, seasonings and others in the PRC.

The ultimate parent of the Company is Shengyao Investment Group Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The ultimate controlling parties of the Company are Mr. Yang Shengyao ("**Mr. Yang**") and Ms. Lin Qiuyun ("**Ms. Lin**"), the spouse of Mr. Yang, who are the executive director/the chairman and the executive director of the board of directors of the Company (the "**Controlling Shareholders**"), respectively.

On 1 June 2022 and 2 June 2022 respectively, each of Mr. Yang, Ms. Lin, Nanchang Tongli Enterprise Management Center (Limited Partnership), Nanchang County Changnan Financial Control Fund Management Company Limited, Lei Jun Feng, Li Hui, Xinlin Su, Wu Bangjun, Fuzhou Digital Economy Investment Group Company Limited, Zhao Wenjun, Luo Zikang, Zheng Yongrong and Lan Hui entered into separate equity transfer agreements to transfer their respective equity interest of 31.70%, 17.24%, 15.51%, 8.37%, 7.05%, 5.17%, 5.00%, 2.16%, 1.77%, 1.73%, 1.72%, 1.72% and 0.86% in Jiangxi Zhengwei Food Co., Ltd to the Company at the aggregate nominal consideration of RMB1.00 (the "**Group Reorganisation**"). The Group Reorganisation was completed and such consideration was fully settled on 8 June 2022. Upon completion of the Group Reorganisation, the Company become the holding company of the subsidiaries comprising the Group.

After the completion of the Group Reorganisation, the Group is regarded as a continuing entity since all the entities which took part in the Group Reorganisation were deemed to be controlled by the same ultimate controlling parties before and immediately after the Reorganisation. Consequently, immediately after the Group Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. The Group Reorganisation has been accounted for as a restructuring under common control in a manner similar to pooling of interests. Accordingly, the consolidated financial statements has been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the years presented.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs – effective 1 January 2023

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024.
2 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Further details about those HKFRSs that are not yet effective and are expected to be applicable to the Group are as follows:

HK Interpretation 5 (Revised), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause and Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New or amended HKFRSs that have been issued but not yet effective (Continued)

HK Interpretation 5 (Revised), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause and Amendments to HKAS 1, Classification of Liabilities as Current or Non-current (Continued)

HK Int 5 (Revised) was revised as a consequence of the Amendments to HKAS 1 issued in August 2022. The revision to HK Int 5 (Revised) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

Amendments to HKAS 1, Non-current Liabilities with Covenants

The amendments clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 21, Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirement of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the financial assets at fair value through other comprehensive income, which are measured at fair value as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company. Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates. All values in the consolidated financial statements are rounded to the nearest thousand except when otherwise indicated.

4. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Merger accounting for the Group Reorganisation

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

The net assets of the consolidating entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities from the earliest date presented or since the date when the consolidating entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Basis of consolidation

Except for the merger accounting for the Group Reorganisation described above, the acquisition method of accounting is used for all other acquisitions of subsidiaries or businesses.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Basis of consolidation (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses, if any. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(p)), and whenever there is an indication that the unit may be impaired.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs 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. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Owned assets	
Buildings	Shorter of 2% – 3% or period of the lease term
Leasehold improvement	Shorter of 3% – 20% or period of the lease term
Plant and machineries	10% – 20%
Furniture, electronic and other equipment	20%
Motor vehicles	20%

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Property, plant and equipment (Continued)

Construction in progress ("**CIP**") is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(f) Government grant

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income, rather than reducing the related expense.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Leases

The Group as lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Leases (Continued)

The Group as lessee (Continued)

Lease liability (Continued)

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed lease payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Leases (Continued)

The Group as lessee (Continued)

Lease liability (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term. The Group applies the derecognition requirements of HKFRS 9 to recognise the modification or derecognition gain or loss on the net investment in the finance lease.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Leases (Continued)

The Group as lessor (Continued)

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease as "Lease receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the consolidated statement of financial position, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Revenue". The right-of-use asset relating to the head lease is derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

(h) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Software	5 years
Patent	5 years

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Derecognition of intangible assets

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(h) Intangible assets (other than goodwill) (Continued)

(iv) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(p)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(i) Financial instruments

(i) Financial asset

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

(i) Financial asset (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 three 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. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("**FVTPL**"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables and other financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in equity.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with Note 4(q).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial instruments (Continued)

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in Note 4(j)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Revenue recognition (Continued)

Sale of dried delicacies, snacks, dried aquatic products, grains, seasonings and others

Customers obtain control of the food products when they have delivered to the agreed location and accepted by customers. Revenue is thus recognised upon when the customers accepted the products. Thus, there is generally only one performance obligation. Invoices are usually payable within 90 days.

Some contracts for the sales of food products provide customers with rights of return and discounts. The rights of return give rise to variable consideration and the revenue is recorded at the price specified in the sales contracts/invoices, net of the estimated discounts.

For contracts which provide a customer with a right of return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirement of HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Contract liabilities

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

(l) Income taxes

Income taxes for the year and the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes, and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(m) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On combination, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Employee benefits (Continued)

(ii) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participants in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiaries of the Company in PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(o) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- goodwill; and
- intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see Note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(t) Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is recognised as expenses when incurred.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

Determination the method to estimate variable consideration and assessing the constraint for sale of food products

Certain contracts for the sale of food products include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group has determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of food products with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of revenue in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group estimates the amount of variable consideration based on historical experience, business forecast, the current economic environment, as well as the uncertainty about the amount of consideration is not expected to be resolved for a long period of time.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that have significant risks or resulting material adjustments to the carrying amounts of assets and liabilities within the next financial year:

(i) Impairment of goodwill, right-of-use assets, property, plant and equipment and intangible assets

Goodwill, right-of-use assets, property, plant and equipment and intangible assets are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are required to be tested annually for impairment. For the purpose of impairment testing, goodwill has been allocated to the cash generating unit ("**CGU**") operating in the trading of food product.

Determining whether goodwill and other assets allocated to trading of food product CGU is impaired requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Further information on the impairment assessment on trading of food product CGU are provided in Note 21.

(ii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Fair value measurement (Continued)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

At each reporting date, the Group measures financial asset at fair value through other comprehensive income, details of the measurement are set out in Note 21.

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

(iii) Estimated useful lives and residual value of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable or amortisable lives and residual values and therefore depreciation or amortisation expense in the future periods.

(iv) Net realisable value of inventories

The Group's management reviews the inventory aging analysis periodically, and makes allowance for obsolete and slow-moving inventory items identified.

The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items through management's estimation of the net realisable value for such obsolete and slow-moving items based primarily on the latest invoice prices and current market conditions. Additional write down of inventories might be necessary when the actual movement in inventories and selling prices is lower than anticipated.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(v) Impairment of trade receivables, deposits and other receivables

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk since initial recognition. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's loss allowance for trade receivables, deposits and other receivables applies the simplified and lifetime approach to calculate expected credit losses ("**ECLs**"), which is measured at an amount equal to lifetime expected credit losses. This approach is based on management's estimated loss rates for trade receivables, deposits and other receivables. The estimated loss rates take into account the ageing of the trade receivables, deposits and other receivables, overdue balances and information regarding the ability and intent of the debtors to pay and historical data on default rates and forward looking information.

Management is required to apply judgement in assessing the loss allowance for trade receivables, deposits and other receivables under the ECLs model. The ability of the debtors to repay the Group depends on shared credit risk characteristics of trade receivables, deposits and other receivables groups and market conditions which involves inherent uncertainty.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(vi) Income tax and deferred tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in sourcing, processing and trading of dried delicacies, snacks, dried aquatic products, grains, seasonings and others in the PRC.

Revenue represents the net invoiced value of goods supplied and earned by the Group.

	2023 RMB'000	2022 RMB'000
Dried delicacies	112,060	88,079
Snacks	233,975	186,862
Dried aquatic products	72,888	58,817
Grains	22,955	20,220
Seasonings and others	3,336	2,869
	445,214	356,847
Timing of revenue recognition		
At a point in time	445,214	356,847

Segment information

The segment information is reported to the board of directors of the Company, being the chief operating decision makers ("**CODM**"), for the purpose of resource allocation and performance assessment.

The Group determines its operating segments based on the reports reviewed by the CODM that are used to make strategic decisions.

The Group's reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Manufacturing business

The Group produces and sells a variety of (i) snacks (including vegetable snacks and meat snacks) such as bamboo shoots crisps and roasted duck necks; and (ii) packaged dried food products such as fungi, dried aquatic products, algae, grains and seasonings in the PRC.

Trading business

The Group purchases dried candied fruit, nuts and other products in bulk from suppliers and sell to retailers and corporate customers without further processing in the PRC.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Consolidated revenue	
	2023	2022
	RMB'000	RMB'000
Manufacturing	406,199	320,267
Trading	39,015	36,580
	445,214	356,847

	Year ended 31 December 2023		
	Manufacturing	Trading	Total
	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE			
External sales	406,199	39,015	445,214
Inter-segment sales	47,771	–	47,771
	453,970	39,015	492,985
Reportable segment profit	73,199	13,372	86,571
Deprecation and amortisation	(6,437)	(126)	(6,563)
Interest revenue	577	38	615
Interest expense	(2,852)	(52)	(2,904)
Reversal of impairment loss:			
– Trade receivables	–	–	–
– Deposits and other receivables	62	58	120
	62	58	120
Reversal of write-down of inventories	(334)	–	(334)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Year ended 31 December 2022		
	Manufacturing RMB'000	Trading RMB'000	Total RMB'000
SEGMENT REVENUE			
External sales	320,267	36,580	356,847
Inter-segment sales	42,178	–	42,178
	362,445	36,580	399,025
Segment profit	49,601	12,878	62,479
Deprecation and amortisation	(4,031)	(170)	(4,201)
Interest revenue	361	25	386
Interest expense	(3,017)	(241)	(3,258)
(Impairment loss)/reversal of impairment loss:			
– Trade receivables	3	1	4
– Deposits and other receivables	(32)	(32)	(64)
	(29)	(31)	(60)
Reversal of write-down of inventories	171	–	171

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Other income and head office expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	492,185	399,025
Elimination of inter-segment revenue	(47,771)	(42,178)
Consolidated revenue	445,214	356,847
Profit before income tax expense		
Reportable segment profit	86,571	62,479
Unallocated corporate income	31	–
Listing expense	(4,515)	(8,690)
Unallocated corporate expenses	(5,388)	(866)
Consolidated profit before income tax expense	76,699	52,923
Other material items		
Reportable depreciation and amortisation	6,563	4,201

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the CODM for review.

Geographical information

The management determines the Group is domiciled in the PRC, which is the location of the Group's principal office. The Group's revenue information above is based on the delivery destinations of the Group's products requested by the customers. The Group's revenue from external sales is all derived from the customers located in the PRC.

The geographical location of non-current assets (other than deferred tax assets and financial assets) is based on the physical location of the assets or the location of operation to which they are allocated. As at 31 December 2023 and 2022, all of the Group's non-current assets are located in the PRC.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Information about major customers

Revenue attributed to customers that accounted for 10% or more of the Group's total revenue as follows:

	2023 RMB'000	2022 RMB'000
Customer A	184,803	151,284
Customer B	70,028	57,909
Customer C	59,310	49,320
	314,141	258,513

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Interest income from bank deposits	646	386
Government grants *(Note)*	5,709	389
	6,355	775

Note: Government grants mainly represent grants received from the PRC local government authority as:

(a) incentive for being successfully listed on the Main Board of the Stock Exchange for the year ended 31 December 2023;

(b) incentive of agricultural development for the year ended 31 December 2023 which does not have other unfulfilled obligations; and

(c) incentive for revenue growth and new technology industrial enterprise for the years ended 31 December 2023 and 2022 which does not have other unfulfilled obligations.

8. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Reversal for the provision of social insurance and housing provident fund	–	481
Loss on disposal of property, plant and equipment	(2)	(58)
Net foreign exchange losses	(162)	–
Other (losses)/gains, net	(164)	423

9. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest expenses on bank and other borrowings	2,902	3,256
Interest expenses on lease liabilities *(Note 19(b))*	2	2
	2,904	3,258

10. PROFIT BEFORE INCOME TAX EXPENSE

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

	2023 RMB'000	2022 RMB'000
Write-down of inventories/(reversal of write-down) *(Note (i))*	334	(171)
Depreciation charge:		
– Owned property, plant and equipment *(Note 17)*	6,010	3,620
– Right-of-use-assets *(Note 18(a))*	223	223
	6,233	3,843
Amortisation on intangible assets *(Note 20)* included in:		
– Administrative expenses	–	9
– Research and development costs	330	349
	330	358
Auditors' remuneration	660	741
Cost of inventories recognised as expenses, including reversal of write-down and write-down of inventories	297,954	237,591
Listing expenses	4,515	8,690
Research and development costs	18,319	13,363
Employee costs *(Note 11)*	48,941	40,794

Note:

(i) These reversals arose due to increases in the estimated net realisable value of certain inventories as a result of a change in consumer preferences.

11. EMPLOYEE COSTS

	2023 RMB'000	2022 RMB'000
Employee costs (including directors' emoluments *(Note 13)*) comprise:		
Wages and salaries	40,017	33,441
Contributions to retirement benefits scheme	7,376	6,031
Other employee benefits	1,548	1,322
	47,376	40,794

12. RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Directors' emoluments disclosed pursuant to the Listing Rules and section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 as follows:

		Year ended 31 December 2023				
	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits scheme RMB'000	Discretionary bonuses RMB'000	Total emoluments RMB'000
Executive directors						
Yang Shengyao	*(i)*	540	241	200	13	994
Lin Qiuyun	*(ii)*	270	145	50	13	478
Li Hui	*(iii)*	270	182	100	13	565
		1,080	568	350	39	2,037
Independent non-executive directors						
Li Taihong	*(iv)*	162	–	–	–	162
Lau Jing Yeung William	*(iv)*	162	–	–	–	162
Lee Kwok Tung Louis	*(iv)*	162	–	–	–	162
		486	–	–	–	486
		1,566	568	350	39	2,523

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(i) Directors' remuneration (Continued)

		Year ended 31 December 2022				
	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits scheme RMB'000	Discretionary bonuses RMB'000	Total emoluments RMB'000
Executive directors						
Yang Shengyao	*(i)*	22	241	13	200	476
Lin Qiuyun	*(ii)*	11	145	13	50	219
Li Hui	*(iii)*	11	182	13	100	306
		44	568	39	350	1,001
Independent non-executive directors						
Li Taihong	*(iv)*	7	–	–	–	7
Lau Jing Yeung William	*(iv)*	7	–	–	–	7
Lee Kwok Tung Louis	*(iv)*	7	–	–	–	7
		21	–	–	–	21
		65	568	39	350	1,022

Notes:

(i) Ms. Lin Qiuyun was appointed as an executive director on 20 June 2022.

(ii) Mr. Li Hui was appointed as an executive director on 20 June 2022.

(iii) Mr. Li Taihong, Mr. Lau Jing Yeung William and Mr. Lee Kwok Tung Louis were appointed as independent non-executive directors on 16 December 2022.

(iv) Salaries and other benefits included basic salaries, housing allowance, other allowances and benefits in kind.

During the years ended 31 December 2023 and 2022, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(ii) Five highest paid individuals

The five highest paid individuals of the Group included two directors (2022: two) whose emoluments are reflected in Note 13(i).

The analysis of the emolument of the remaining three highest paid individuals (2022: three) are set out below:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	973	932
Contributions to retirement benefits scheme	39	30
	1,012	962

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	2023	2022
Nil to HKD1,000,000	3	3

None (2022: none) of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management emolument band

The number of senior management whose remuneration fell within the following band is as follows:

	2023	2022
Nil to HKD1,000,000	1	1

14. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2023	2022
	RMB'000	RMB'000
PRC Enterprise Income Tax (the "**PRC EIT**")		
Current tax	**8,926**	6,555
Adjustment in respect of prior years	**107**	–
	9,033	6,555
Deferred tax charge/(credit) *(Note 23)*	**149**	(329)
Income tax expense	**9,182**	6,226

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company incorporated in the Cayman Islands and the Company's subsidiary incorporated in the BVI are not subject to any income tax.

No provision for Hong Kong Profits Tax has been made in the financial statements as the entities in the Group had no assessable profits for both of the years presented.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC EIT of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the following two subsidiaries. Jiangxi Zhengwei Food Co., Limited and Guangchang County Zhenglian Biotechnology Co., Limited were approved for the High and New Technology Entities ("**HNTE**") qualification under the PRC EIT Law and its relevant regulations and are entitled to a preferential tax rate of 15%.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 100% (2022: 100%) of the research and development expenses for the year ended 31 December 2023 as tax deductible expense.

14. INCOME TAX EXPENSE (Continued)

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

	2023 RMB'000	2022 RMB'000
Profit before income tax expense	76,699	52,923
Tax calculated at the PRC statutory tax rate of 25% (2022: 25%)	19,175	13,231
Tax effect of revenue not taxable for tax purposes	(5,548)	(4,961)
Tax effect of expenses not deductible for tax purposes	3,019	2,542
Effect of tax preferential rates granted to the eligible PRC subsidiaries	(4,298)	(2,470)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(4,543)	(2,250)
Tax losses/temporary difference not recognised	1,270	134
Underprovision in prior year	107	–
Income tax expense	9,182	6,226

The weighted average applicable tax rate was 12.0% (2022: 11.8%).

15. DIVIDENDS

No dividend was paid or declared by the Company for in respect of both of the years presented.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	2023	2022
Profit for the year attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share (RMB'000)	67,517	46,697
Weighted average number of ordinary shares for the purpose of calculating basic and detailed earnings per share ('000)	793,425	600,000
Basic and diluted earnings per share (RMB)	0.09	0.08

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2023 has been determined on the assumption that the Group Reorganisation and the Capitalisation Issue (as detailed in Note 34) of 594,736,800 ordinary shares have been effective on 1 January 2022, and the weighted average number of approximately 193,425,000 ordinary shares of the Company issued upon the Listing on the Main Board of the Stock Exchange on 13 January 2023.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2022 has been determined on the assumption that the Reorganisation and the Capitalisation Issue of 594,736,800 ordinary shares have been effective on 1 January 2022.

Diluted earnings per share amount for the years ended 31 December 2023 and 2022 were the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding during the years.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machineries RMB'000	Furniture, electronic and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost							
At 1 January 2022	28,298	6,555	16,911	2,992	708	–	55,464
Additions	–	–	1,494	32	–	1,330	2,856
Disposals	–	–	(46)	(101)	–	–	(147)
Transfer from CIP	–	–	1,330	–	–	(1,330)	–
At 31 December 2022 and 1 January 2023	28,298	6,555	19,689	2,923	708	–	58,173
Additions	3,285	–	15,154	156	–	52,435	71,030
Disposals	–	–	–	(30)	–	–	(30)
Transfer from CIP	12,715	–	39,720	–	–	(52,435)	–
At 31 December 2023	44,298	6,555	74,563	3,049	708	–	129,173
Accumulated depreciation							
At 1 January 2022	2,718	4,303	3,439	1,548	503	–	12,511
Provided for the year	782	557	1,731	493	57	–	3,620
Eliminated on disposals	–	–	(11)	(78)	–	–	(89)
At 31 December 2022 and 1 January 2023	3,500	4,860	5,159	1,963	560	–	16,042
Provided for the year	1,828	418	3,323	402	39	–	6,010
Eliminated on disposals	–	–	–	(28)	–	–	(28)
At 31 December 2023	5,328	5,278	8,482	2,337	599	–	22,024
Net book value							
At 31 December 2023	38,970	1,277	66,081	712	109	–	107,149
At 31 December 2022	24,798	1,695	14,530	960	148	–	42,131

At 31 December 2023 and 2022, the Group's buildings with an aggregate carrying amount of approximately RMB24,016,000 and RMB24,798,000 respectively were pledged to secure banking facilities granted to the Group (Note 31).

18. LEASES

The Group as a lessee

The Group leases land use right and low-temperature warehouses in the PRC.

(a) Right-of-use assets

	Land use right	Low temperature warehouses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022	6,226	84	6,310
Effect of lease modification	–	84	84
Depreciation for the year	(139)	(84)	(223)
At 31 December 2022 and 1 January 2023	**6,087**	**84**	**6,171**
Effect of lease modification	**–**	**84**	**84**
Depreciation for the year	**(139)**	**(84)**	**(223)**
At 31 December 2023	**5,948**	**84**	**6,032**

All right-of-use assets were carried at cost less depreciation.

The interest of land use right in the PRC are prepaid upon acquisition with initial lease term of 50 years. The leases for low-temperature warehouses are with fixed payments only; and the lease contracts signed by the Group did not contain any extension options. The Group had also renewed low temperature warehouses lease in the PRC till 31 December 2024. The rental agreements are made for a fixed period from 14 months to 24 months which do not impose any restriction or covenant.

At 31 December 2023 and 2022, the Group's land use right with an aggregate carrying amount of approximately RMB5,948,000 and RMB6,087,000 respectively were pledged to secure banking facilities granted to the Group (Note 31).

18. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The reconciliation of movements in the lease liabilities is presented below:

	2023 RMB'000	2022 RMB'000
Carrying amount at beginning of the year	84	84
Interest expense	2	2
Lease payments	(86)	(86)
Effect of lease modification	84	84
Carrying amount at end of the year	84	84

The total future lease payments and the reconciliation to the lease liabilities recognised in the consolidated statement of financial position are as follows:

Future lease payments are due as follows:

	Future lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 31 December 2023			
Not later than one year	86	(2)	84
At 31 December 2022			
Not later than one year	86	(2)	84

The present value of future lease payments is analysed as:

	2023 RMB'000	2022 RMB'000
Current liabilities	84	84
Non-current liabilities	–	–
	84	84
Aggregate undiscounted commitments for short term leases	–	–

19. GOODWILL

	RMB'000
Gross carrying amount	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	269
Accumulated impairment	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	–
Net carrying amount	
At 31 December 2023	269
At 31 December 2022	269

The total balance of goodwill is allocated to a CGU, trading of food product.

The recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2.0%.

	2023	2022
Pre-tax discount rate	15.4%	14.9%
Revenue growth rate within the five year	1.7% to 2.2%	3.0% to 4.0%
Terminal growth rate	2.2%	2.0%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

The operating margin and growth rate within the five-year period have been based on past experience.

20. INTANGIBLE ASSETS

	Software RMB'000	Patent RMB'000	Total RMB'000
Cost			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	149	1,800	1,949
Accumulated amortisation			
At 1 January 2022	140	1,121	1,261
Amortisation	9	349	358
At 31 December 2022 and 1 January 2023	149	1,470	1,619
Amortisation	–	330	330
At 31 December 2023	149	1,800	1,949
Net book value			
At at 31 December 2023	–	–	–
At at 31 December 2022	–	330	330

21. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	2023 RMB'000	2022 RMB'000
Investment in 0.5% equity interest in an unlisted company measured at FVOCI *(Note)* – Jiangxi Gannong Financing Guarantee Co., Ltd* ("**Jiangxi Gannong**") (江西省贛農融資擔保有限責任公司)	1,354	1,233

The following table presents the changes in carrying amount of investment in Jiangxi Gannong for the years ended 31 December 2023 and 2022.

	RMB'000
Carrying amount at 1 January 2022	1,121
Change in fair value	112
Carrying amount at 31 December 2022 and 1 January 2023	1,233
Change in fair value	121
Carrying amount at 31 December 2023	1,354

Note: The equity investment of 0.5% (2022: 0.5%) in a state-owned enterprise located in the PRC was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature.

Further details on the Group's fair value measurement are set out in Note 39(f).

* English name of the unlisted company is translated directly from its corresponding official Chinese name.

22. DEFERRED TAX ASSETS

The deferred tax assets/(liabilities) are attributable to:

	Accrued expenses RMB'000 *(Note (a))*	Allowance for expected credit loss RMB'000	Allowance for sales returns provision RMB'000	Allowance for inventory provision RMB'000	Temporary difference on right of use assets RMB'000	Temporary difference on property, plant and equipment RMB'000	Unrealised internal sales profit RMB'000	Total RMB'000
At 1 January 2022	811	63	63	26	198	(544)	–	617
Credited/(charged) to profit or loss for the year *(Note 14)*	(81)	12	57	(26)	(4)	34	337	329
At 31 December 2022 and 1 January 2023	730	75	120	–	194	(510)	337	946
Credited/(charged) to profit or loss for the year *(Note 14)*	–	(24)	(100)	50	18	22	(115)	(149)
At 31 December 2023	730	51	20	50	212	(488)	222	797

Certain deductible temporary differences and unused tax losses were not recognised in the consolidated financial statements due to unpredictability of future profit streams.

Note:

(a) The amount represents deferred tax assets arising from accrual of social insurance expenses and housing provident fund expenses.

The PRC tax losses can only be carried forward for a maximum period of five years. The expiry of unused tax losses for which no deferred tax assets have been recognised is as follows:

	2023 RMB'000	2022 RMB'000
Tax losses expiring in 2028	**5,088**	–

Pursuant to the Detailed Implementation Regulations for implementation of the Enterprise Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the directors of the Group have decided not to distribute the undistributed earnings of its PRC subsidiaries in the foreseeable future.

23. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	50,340	52,154
Finished goods	43,536	37,554
Finished goods – purchased merchandise	4,730	963
	98,606	90,671
Less: Provision for write-down	(334)	–
	98,272	90,671

24. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	92,300	64,016
Less: Provision for impairment loss recognised	–	–
	92,300	64,016

The Group's trading term with customers are mainly on credit. The credit terms are generally 30 to 90 days.

An ageing analysis, based on the date of invoice, which approximates the respective revenue recognition dates (before impairment), as of the end of each reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 month	62,392	48,074
1 to 2 months	29,908	15,942
	92,300	64,016

24. TRADE RECEIVABLES (Continued)

Movement on the Group's provision for impairment on trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	–	344
Receivables written off during the year as uncollectible	–	(340)
Reversal of impairment loss, net	–	(4)
At the end of the year	–	–

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 39(a).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Non-current			
Prepayment for acquisition of land use rights	*(a)*	9,525	–
		9,525	–
Current			
Prepayments		451	348
Value added tax recoverable		7,061	–
Deposits		224	256
Other receivables		–	6,530
Deferred listing expenses		–	5,682
		7,736	12,816
Less: Provision for impairment loss recognised	*(b)*	–	(120)
	(c)	17,261	12,696

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The amount represents the consideration paid to Nanchang Municipal Bureau of Natural Resources and Planning* (南昌市自然資源和規劃局) for acquisition of the land use rights of a parcel of land (the "**Land**") located in Xiaolan Economy and Technology Development Zone, Nanchang County, Jiangxi Province. The Land is designated for industrial usage with term of use of 50 years. As at 31 December 2023, the Group has not yet obtained the state-owned land use rights certificate of the Land.

(b) The carrying amount of deposits and other receivables and the related impairment provision were as follow:

	2023 RMB'000	2022 RMB'000
Deposits and other receivables, at gross	224	6,786
Less: Provision for impairment loss recognised	–	(120)
Deposits and other receivables, at net	224	6,666

* *English name is for identification only.*

(c) The carrying amounts of deposits and other receivables were primarily denominated in RMB and approximated their fair values due to their short maturity at the reporting date.

The movement of provision was as follow:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	120	56
(Reversal of)/provision of impairment loss, net	(120)	64
At the end of the year	–	120

26. RIGHT OF RETURN ASSETS

	2023 RMB'000	2022 RMB'000
Right of return assets	156	1,152

The right of return assets represent goods sold but expected to be returned from customers when customers exercise their right of return within the return period (50/90 days, depending on the terms stated in contract). The Group uses its accumulated historical experience to estimate the amount of goods to be returned. The Group's accounting policy of right of return assets is set out in Note 4(l).

27. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	199,186	156,831

Cash and cash equivalents are denominated in RMB and placed in the PRC. RMB is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business.

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

28. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables *(Note (a))*	**48,360**	47,763

Note:

(a) An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	2023 RMB'000	2022 RMB'000
Within six months	**48,360**	47,763

The Group's trade payables are non-interest bearing and generally have payment terms of up to 30 days.

29. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Other tax payables	**2,462**	2,239
Accrued listings expenses	**–**	8,690
Accrued salaries	**8,266**	7,233
Accrued expenses	**6,046**	3,729
	16,774	21,891

Other payables and accruals are non-interest bearing and are expected to be settled within twelve months from the end of each reporting period.

30. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract liabilities arising from sale of dried delicacies, snacks, dried aquatic products, grains and seasonings and others	9	506

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of dried delicacies, snacks, dried aquatic products, grains and seasonings and others

The Group may request a 50% deposit from customers on acceptance of order for the products, with the remainder of the consideration payable at the time of delivery of finished goods.

Since the performance obligation is part of a contract that has an original expected duration of one year or less so the Group applied the practical expedient not to make further disclosure on the remaining performance obligation.

Movements in contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	506	593
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(506)	(593)
Increase in contract liabilities as a result of advanced consideration received from customers	9	506
At the end of the year	9	506

31. BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000
Current			
Bank loans – secured	*(a, b)*	**18,199**	44,477
		18,199	44,477
Non-current			
Bank loans, secured	*(a)*	**–**	1,599
Total borrowings		**18,199**	46,076

Notes:

(a) The bank loans are secured by:

(i) the Group's certain buildings included in property, plant and equipment (Note 17) with the carrying amount of RMB24,016,000 (31 December 2022: RMB24,798,000);

(ii) land use right under right-of-use assets (Note 18) with the carrying amount of RMB5,948,000 (31 December 2022: RMB6,087,000);

(iii) corporate guarantee given by the Group's shareholders, related companies controlled by shareholders and other non-related third parties; and

(iv) personal guarantee given by the Group's director, Mr. Yang, a director of a subsidiary – Zhenglian, Mr. Lin Deqian and his wife, Ms. Xia Liangping, shareholders of the Company and their close family members and other non-related third parties.

(b) Interests are charged at fixed/floating effective interest rates ranging from 5.65% to 5.79% per annum (31 December 2022: 4.35% to 7.92%).

31. BORROWINGS (Continued)

At the end of each reporting period, total current and non-current borrowings were scheduled to be repaid as follows:

	2023 RMB'000	2022 RMB'000
Bank loans		
Within one year	18,199	44,477
More than one year, but not exceeding two years	–	1,599
	18,199	46,076

32. AMOUNTS DUE FROM SHAREHOLDERS

	2023 RMB'000	2022 RMB'000
Amounts due from shareholders		
Shengyao Investment Group Limited	–	109
Trendy Peak International Limited	–	59
Pluto Universal Holdings Limited	–	24
Best Talent Venture Holdings Limited	–	31
Mass Jovial Group Limited	–	15
Prosperous Season Group Limited	–	53
Chang Nan Financial Control Limited	–	29
Cheerly Success Investment Group Limited	–	6
Vantage Link Investments Limited	–	17
	–	343

The amounts due from shareholders were non-trade nature, unsecured, interest-free and repayable on demand.

33. SHARE CAPITAL

	Number	Par value per share US$	Amount US$'000	Amount RMB'000
Ordinary shares				
Authorised				
As at 1 January 2022 *(Note 5)*	100,000	1.00	100	715
Share subdivision *(Note (i))*	9,900,000	0.01	–	–
Increase in authorised share capital *(Note (ii))*	7,990,000,000	0.01	79,900	557
As at 31 December 2022, 1 January 2023 and 31 December 2023	8,000,000,000	0.01	80,000	1,272
Issued and fully paid				
As at 1 January 2022 *(Note 5)*	52,632	1.00	53	372
Share subdivision *(Note (i))*	5,210,568	0.01	–	–
As at 31 December 2022 and 1 January 2023	5,263,200	0.01	53	372
Issuance of shares for Capitalisation issue *(Note (iii))*	594,736,800	0.01	5,947	41,313
Issuance of new shares upon listing *(Note (iv))*	200,000,000	0.01	2,000	13,895
As at 31 December 2023	800,000,000	0.01	8,000	55,580

Notes:

(i) On 20 June 2022, pursuant to the written resolutions passed by the shareholders of the Company, each of the issued and unissued shares with a par value of US$1.0 in the share capital of the Company was subdivided into 100 shares of a par value of US$0.01 each, such that the Company's authorised share capital is US$100,000 divided into 10,000,000 Shares with a par value of US$0.01 each.

(ii) On 16 December 2022, the shareholders further resolved to increase the authorised share capital to US$80,000,000 divided into 8,000,000,000 shares with a par value of US$0.01 each by the creation of an additional 7,990,000,000 new shares, each ranking pari passu with the shares then in issue in all respects.

(iii) Pursuant to another resolutions of the shareholders passed on 16 December 2022, subject to the share premium account of the Company being credited as a result of the share offer, the directors were authorised to allot and issue a total of 594,736,800 shares credited as fully paid at par to the holders of the shares on the register of members of the Company at the close of business on 15 December 2022 in proportion to their shareholdings by way of capitalisation of the sum of HK$5,947,368 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"). The Capitalisation Issue is effective upon listing on 13 January 2023, pursuant to the written resolutions of the shareholders passed on 16 December 2022. The shares allotted and issued rank pari passu in all respects with the existing issued shares.

(iv) On 13 January 2023, the Company issued 200,000,000 new shares at a price of HK$0.68 per share, which gave rise to gross proceeds of HK$136,000,000 (equivalent to approximately RMB121,491,000) (before share issue expenses).

(v) The Group Reorganisation was completed on 8 June 2022. The share capital as at 1 January 2022 represented the amount as if the consolidating entities or businesses had been consolidated from the date when the they first came under the control of the controlling party.

34. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the reporting period are set out in the consolidated statement of changes in equity.

(b) The Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2022	–	(114)	(114)
Loss for the year	–	(9,532)	(9,532)
As at 31 December 2022 and 1 January 2023	–	(9,646)	(9,646)
Loss for the year	–	(640)	(640)
Issue of new shares	107,596	–	107,596
Expenses attributed to issuance of new shares	(10,639)	–	(10,639)
Capitalization issue	(41,313)	–	(41,313)
As at 31 December 2023	55,644	(16,066)	39,578

34. RESERVES (Continued)

(c) The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Share premium	In connection with the Listing of the Company, 200,000,000 ordinary shares were issued at HKD0.68 each for a total consideration of HKD136,000,000 (equivalent to approximately RMB121,491,000) in aggregate on 13 January 2023, which was divided into RMB13,895,000 of share capital and RMB107,596,000 of share premium, respectively. Listing expenses to be capitalised at approximately RMB10,639,000 that were directly attributable to the issuance of ordinary shares in connection with the Listing were treated as a deduction from share premium.
Capital reserve	It represents capital injection in excess of registered capital.
Statutory reserve	In accordance with the relevant PRC laws and regulations and the articles of association, the PRC subsidiaries are required to transfer 10% of its net profit as determined in accordance with accounting rules and regulations of the PRC to the statutory PRC reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in liquidation.
Merger reserve	It represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of PRC subsidiaries acquired pursuant to the Group Reorganisation.
Property revaluation reserve	It represents gains/losses arising on revaluation of property on transfer to investment property.
FVOCI reserve (non-recycling)	It represents cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 that are held at the end of each reporting period.
Retained earnings/ (accumulated losses)	It represents cumulative net profit and loss recognised in the statement of profit and loss.

35. COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Interests in subsidiaries	*36*	354	354
Total non-current assets		354	354
Current assets			
Amounts due from shareholders		–	343
Prepayments, deposits and other receivables		–	5,683
Amount due from a subsidiary		100,024	–
Cash and cash equivalents		9	–
Total current assets		100,033	6,026
Total assets		100,387	6,380
Current liabilities			
Amount due to subsidiaries		4,369	6,152
Other payables and accruals		860	9,502
Total current liabilities		5,229	15,654
Net current assets/(liabilities)		94,804	(9,628)
Total assets less current liability		95,158	(9,274)
NET ASSETS/(LIABILITIES)		95,158	(9,274)
Equity attributable to owners of the Company			
Share capital	*33*	55,580	372
Reserves	*34*	39,578	(9,646)
Total equity/(deficit)		95,158	(9,274)

The Company's statement of financial position was approved by the board of directors on 28 March 2024 and is signed on its behalf by:

Mr. Yang Shengyao
Executive director

Mr. Li Hui
Executive director

36. INTEREST IN SUBSIDIARIES

The Company

	2023 RMB'000	2022 RMB'000
Unlisted investment, at cost	354	354

Details of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company 2023 Directly	2023 Indirectly	2022 Directly	2022 Indirectly	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
Zhengwei International Limited "Zhengwei International"	British Virgin Islands ("**BVI**"), limited liability company	100%	–	100%	–	Issued and fully paid capital US$50,000	Investment holding, BVI
Zhengwei Group Limited "Zhengwei Group" (正味集团有限公司)	Hong Kong ("**HK**"), limited liability company	–	100%	–	100%	Issued and fully paid capital HK$10,000	Investment holding, HK
Jiangxi Zhengwei Food Co., Limited* "Jiangxi Zhengwei" (江西正味食品有限公司)	PRC, limited liability company	–	100%	–	100%	Registered and fully paid capital RMB154,084,000	Investment holding, sourcing, processing and trading of dried delicacies, snacks, dried aquatic products, grains and seasonings and others and performing research and development, PRC
Nanchang Kaixing Industrial Co., Limited.* "Nanchang Kaixing" (南昌市凱興實業有限公司)	PRC, limited liability company	–	100%	–	100%	Registered and fully paid capital RMB5,000,000	Trading of dried delicacies, snacks, dried aquatic products, grain and seasonings and others, PRC
Guangchang County Zhenglian Biotechnology Co., Limited* "Guangchang Zhenglian" (廣昌縣正蓮生物科技有限公司)	PRC, limited liability company	–	100%	–	100%	Registered and fully paid capital RMB30,000,000	Sourcing, processing and trading of dried delicacies, snacks, dried aquatic products, grains and seasonings and others and performing research and development, PRC
Jiangxi Leweijia Food Co., Limited* (江西樂味佳食品有限公司)	PRC, Limited liability company	–	100%	–	–	Registered and fully paid RMB79,476,591	Investment holding, sourcing, processing and trading of snacks and performing research and development, PRC

* English names of the subsidiaries are translated directly from their corresponding official Chinese names.

37. RELATED PARTY DISCLOSURES

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with related parties:

(a) Significant transactions with related parties

The Group had the following significant transactions with related parties:

Name of related parties	Nature of transactions	2023 RMB'000	2022 RMB'000
Leishi School	Sales of finished goods	110	336
Leishi Training	Sales of finished goods	–	88

Note: Leishi School and Leishi Training are controlled by Mr. Lei Junfeng, who is a director of Jiangxi Zhengwei.

(b) Compensation of key management personnel

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the years ended 31 December 2023 and 2022 are set out in Note 13 to the consolidated financial statements.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at FVOCI – non-current		
Financial asset at FVOCI	1,354	1,233
Financial assets at amortised cost – current		
Trade receivables	92,300	64,016
Deposits and other receivables	224	6,666
Amounts due from shareholders	–	343
Cash and cash equivalents	199,186	156,831
	291,710	227,856
	293,664	229,089

39. FINANCIAL RISK MANAGEMENT

	2023 RMB'000	2022 RMB'000
Financial liabilities		
Financial liabilities at amortised costs – current		
Trade payables	48,360	47,763
Other payables and accruals	16,774	19,652
Borrowings	18,199	44,477
Lease liabilities	84	84
	80,955	111,976
Financial liabilities at amortised costs – non-current		
Borrowings	–	1,599
	80,955	113,575

39. FINANCIAL RISK MANAGEMENT (Continued)

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Generally, the Group utilises conservative strategies on its risk management.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and deposits with banks.

The Group's customers are mainly reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Management is of the opinion that the risk of default by counterparties is not insignificant and Note 25 detailed the loss allowance recognised. Expected loss rate are based on the actual loss experience over the past 5 years. These rates are adjusted to reflect the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of these receivables. The adjustment factors are based on the historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

39. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit loss on collective basis

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

	Not yet past due RMB'000	3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 12 months past due RMB'000	Total RMB'000
As at 31 December 2023						
Expected loss rate	**0.00%***	**0.04%**	**0.25%**	**10.25%**	**100%**	
Gross carrying amount	**92,300**	**–**	**–**	**–**	**–**	**92,300**
Loss allowance provision	**–***	**–**	**–**	**–**	**–**	**–**
As at 31 December 2022						
Expected loss rate	0.00%*	0.02%	0.26%	11.64%	100%	
Gross carrying amount	64,016	–	–	–	–	64,016
Loss allowance provision	–*	–	–	–	–	–

* The amount is less than 0.01% and RMB1,000

For deposits and other receivables, the directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Management is of the opinion that the risk of default by counterparties is not insignificant and Note 25 details the loss allowance recognised.

As at 31 December 2023 and 2022, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above. The Group does not hold any collateral or other credit enhancement over these balances.

The Group had a concentration of credit risk as certain of the Group's trade receivables were due from the Group's five largest customers as detailed below.

	2023 RMB'000	2022 RMB'000
Five largest customers	**84,979**	55,985

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the reporting period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of each reporting period.

	Interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023							
Trade payables	N/A	48,360	48,360	48,360	–	–	–
Other payables and accruals	N/A	16,774	16,774	16,774	–	–	–
Borrowings	5.65%-5.79%	18,199	18,556	18,556	–	–	–
Lease liabilities	4.35%	84	86	86	–	–	–
		83,417	83,776	83,776	–	–	–
As at 31 December 2022							
Trade payables	N/A	47,763	47,763	47,763	–	–	–
Other payables and accruals	N/A	21,891	21,891	21,891	–	–	–
Borrowings	4.35% – 7.92%	46,076	47,711	46,073	1,638	–	–
Lease liabilities	4.11%	84	86	86	–	–	–
		115,814	117,451	115,813	1,638	–	–

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Interest rate risk means the risk on fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

Other than cash at bank in Note 27, the Group does not have significant interest-bearing assets. Since all the cash at bank held by the Company are deposited in PRC banks, in which the interest rate is determined by the People's Bank of China, base on past experience, the fluctuation of the rate is minimal, and the management considered that the interest rate promulgated by banks in PRC from time to time is not significantly impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2023, the Group has no borrowings at floating rate.

At 31 December 2022, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings (through the impact on the Group's bank borrowings which are subject to floating interest rate) by approximately RMB12,500. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 25 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The policy to manage interest rate risk has been followed by the Group for years and is considered to be effective.

(d) Foreign currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

39. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital risk 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 shareholder and to maintain an optimal capital structure to reduce the cost of capital. The Group's objective remained unchanged with that for the prior year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the reporting period.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. Total debt is calculated as the aggregate of borrowings, lease liabilities, amount due to a shareholder. Capital includes equity attributable to owners of the Company.

	2023 RMB'000	2022 RMB'000
Total debt	18,283	46,160
Equity attributable to the owners of the Company	436,935	258,445
Total debt and equity	455,218	304,605
Gearing ratio	4%	15%

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, deposit, other receivables, amounts due from shareholders, trade payables, other payables and accruals, lease liabilities and borrowings. Due to their short term nature, their carrying value approximates fair value.

Financial instruments measured at fair value

Financial instruments measured at fair value include financial asset at fair value through other comprehensive income, which was in Level 3 of fair value hierarchy. Level 3 hierarchy represents inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no transfers between levels. The reconciliation of the change in financial asset at fair value through other comprehensive income was disclosed in Note 21.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

The fair value of the unlisted equity investment in Jiangxi Gannong is estimated using a market approach, hence, the valuations rely on the trading multiples of publicly traded guideline companies of similar industry in the PRC and uses data generated by actual market transaction.

Significant unobservable inputs used in the fair value measurement are as follows:

	2023	2022
Median of Price-To-Book Ratio	1.0	1.0
Discount for lack of marketability	20.5%	20.6%

If the median of price-to-book ratio increased/decreased by 5% (2022: 5%) for the year ended 31 December 2023 the fair value of investment in Jiangxi Gannong would be increased/decreased by approximately RMB68,000 (2022: RMB83,000).

There were no changes in valuation techniques.

40. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Borrowings *(Note 31)* RMB'000	Amount due to a shareholder RMB'000	Lease liabilities *(Note 18)* RMB'000
As at 1 January 2022	90,659	9	84
Changes from cash flow:			
Proceeds from new borrowings	20,800	–	–
Repayment of borrowings	(64,464)	–	–
Repayment to a shareholder	–	(9)	–
Repayment of principal portion of lease liabilities	–	–	(84)
Interest paid	(4,175)	–	(2)
Total financing cash flow	(47,839)	(9)	(86)
Other changes:			
Effect of lease modification	–	–	84
Interest expenses *(Note 9)*	3,256	–	2
Total other changes	3,256	–	86
As at 31 December 2022	46,076	–	84

40. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings *(Note 31)* RMB'000	Amount due to a shareholder RMB'000	Lease liabilities *(Note 18)* RMB'000
Changes from cash flow:			
Proceeds from new borrowings	16,600	–	–
Repayment of borrowings	(44,477)	–	–
Repayment of principal portion of lease liabilities	–	–	(84)
Interest paid	(2,902)	–	(2)
Total financing cash flow	(30,779)	–	(86)
Other changes:			
Effect of lease modification	–	–	84
Interest expenses *(Note 9)*	2,902	–	2
Total other changes	2,902	–	86
As at 31 December 2023	18,199	–	84

(b) Major non-cash transaction

(i) During the year ended 31 December 2023, the Company issued 594,736,800 shares by way of the Capitalisation Issue, details of which are set out in note 33(iii);

(ii) During the prior year ended 31 December 2022, the Group underwent the Group Reorganisation, details of which are set out in note 1 and 33.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

RESULTS

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	297,398	282,889	341,998	356,847	**445,214**
Profit before income tax expense	48,262	47,313	57,844	52,923	**76,699**
Income tax expense	(7,317)	(6,374)	(9,552)	(6,226)	**(9,182)**
Profit for the year	40,945	40,939	48,292	46,697	**67,517**
Profit attributable to owners of the Company	40,945	40,939	48,292	46,697	**67,517**

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total Assets	264,933	356,399	365,362	376,789	**522,776**
Total Liabilities	(155,824)	(193,267)	(153,726)	(118,344)	**(85,841)**
Total Equity	109,109	163,132	211,264	258,073	**436,935**