

Jiujiuwang Food International Limited 久久王食品国际有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1927



ANNUAL REPORT
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Zhenzhong (*Chairman and chief executive officer*)
Mr. Zheng Guosi
Mr. Chen Kan

Independent non-executive Directors

Mr. Wang Linan
Mr. Wu Shiming
Mr. Chen Congming

AUTHORISED REPRESENTATIVES

Mr. Chen Kan
Mr. Ng Kin Sun

COMPANY SECRETARY

Mr. Ng Kin Sun (*member of HKICPA*)

AUDIT COMMITTEE MEMBERS

Mr. Wu Shiming (*Chairman*)
Mr. Wang Linan
Mr. Chen Congming

REMUNERATION COMMITTEE MEMBERS

Mr. Wang Linan (*Chairman*)
Mr. Zheng Zhenzhong
Mr. Chen Congming

NOMINATION COMMITTEE MEMBERS

Mr. Zheng Zhenzhong (*Chairman*)
Mr. Chen Congming
Mr. Wang Linan

PRINCIPAL SHARE REGISTRAR

Ogier Global (Cayman) Limited
89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

LEGAL ADVISER TO THE COMPANY

As to Hong Kong law
Ince & Co
Suites 4404–10, 44th Floor
One Island East, 18 Westlands Road
Taikoo Place, Hong Kong

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central, Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31th, Gloucester Tower, The Landmark,
11 Pedder Street, Central, Hong Kong SAR

PRINCIPAL BANKERS

China Everbright Bank Co., Ltd.
Quanzhou Jinjiang sub-branch
1/F, Aipai Centre, Quan'an Road
Quetang Community, Luoshan Street
Jinjiang City, Fujian Province, PRC

Industrial Bank Co., Ltd.
Jinjiang sub-branch
Industrial Bank Building, No. 271 Chongde Road
Jinjiang City, Fujian Province, PRC

PingAn Bank Co., Ltd.
Quanzhou Jinjiang sub-branch
1/F, Baolong Hotel
No. 1558, Quan'an Central Road, Jinjiang City
Fujian Province, PRC

HEADQUARTERS

No. 398 Ping An East Road, Xukeng Industrial Zone,
Luoshan Street, Jinjiang City
Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4401–10, 44/F, One Island East
18 Westlands Road, Taikook Place, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

COMPANY WEBSITE

www.jiujiuwang.com

STOCK CODE

1927

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to announce Jiujiuwang Food International Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**")'s first annual results after its successful listing on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**") on 16 March 2021 (the "**Listing Date**").

We are a confectionary products manufacturer in the PRC. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC.

Looking forward, we will endeavor to strengthen the development of our existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

APPRECIATION

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of the Company, I would like to express my sincere gratitude to our valued customers, business partners, and shareholders for their persistent support, and express my appreciation to the management team and employees for their valuable contribution to the development of the Group. Finally, I would like to express my sincere appreciation to the officers of the Stock Exchange of Hong Kong Limited for their guidance.

Zheng Zhenzhong

Chairman

Hong Kong, 30 March 2021

FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue	401,232	414,082
Profit before taxation	60,177	59,201
Profit and total comprehensive income for the year attributable to owners of the Company	44,596	43,196

ASSETS AND LIABILITIES

	At 31 December	
	2020 RMB'000	2019 RMB'000
Assets		
Non-current assets	257,026	264,501
Current assets	252,447	226,502
Total assets	509,473	491,003
Equity and liabilities		
Total equity	260,664	216,068
Current liabilities	248,809	274,935
Total liabilities	248,809	274,935
Total equity and liabilities	509,473	491,003
Net current assets/(liabilities)	3,638	(48,433)
Total assets less current liabilities	260,664	216,068

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Since the outbreak of the epidemic caused by the COVID-19, major cities in the PRC have taken emergency public health measures including travel restrictions to control the COVID-19 epidemic. Local authority in Fujian Province required enterprises to delay the resumption of work from the Chinese Lunar New Year in 2020 to not earlier than the mid-night of 9 February 2020. Our Group has resumed normal production level in early March 2020. Our Group has implemented various measures in response to the COVID-19 epidemic. In light of the COVID-19 epidemic and the travel and traffic restrictions, the sales of our products to OEM customers decreased for the first half year of 2020, which would have an adverse impact on our operation and financial performance. In the second half of 2020, the sales of our group has been rebounded.

Our Directors confirm that as at the date of this report, there had been no material impact on the supply of products and/or raw materials to our Group, due to the outbreak of COVID-19.

BUSINESS REVIEW

We are a confectionary products manufacturer in the PRC. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC. We own and operate our production facilities for manufacture of our confectionary products with a view to control our product quality, production costs and production schedule directly. Our factory is located in Jinjiang City, Fujian Province with a large site area, with number of production lines to produce large number of tones of our products.

During the year ended 31 December 2020, our business operation remained stable during the first half year of 2020 and has been improved in the second half of 2020. There was no material change to our general business model during the year.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 3.1% from approximately RMB414.1 million for the year ended 31 December 2019 to approximately RMB401.2 million for the year ended 31 December 2020. The decrease in revenue was mainly attributable to the decrease in sales order of OEM customers as affected by the outbreak of COVID-19, especially for customers in Europe.

Cost of sales

The Group's cost of sales mainly comprised of (i) direct materials costs, (ii) production costs; and (iii) direct labour costs. For the years ended 31 December 2019 and 2020, the cost of sales amounted to approximately RMB283.7 million and RMB273.5 million, respectively, representing a decrease of approximately 3.6%, which was in line with the decrease in revenue by approximately 3.1% for the same year.

Gross profit

The Group's gross profit, which equals to the revenue minus cost of sales, for the year ended 31 December 2020 was approximately RMB127.8 million, representing a decrease of approximately 2.0% from approximately RMB130.4 million for the year ended 31 December 2019. The decrease in gross profit was mainly due to the decrease in the overall sales volume because of the outbreak of COVID-19 while the certain fixed components of cost of sales such as depreciation expenses of machinery and production staff costs were still incurred.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gain and income or (loss), net

The Group's other gain and income increased from approximately RMB0.2 million for the year ended 31 December 2019 to approximately RMB0.4 million for the year ended 31 December 2020. The increase in other gain and income was mainly due to the one-off reversal of allowance for expected credit losses on trade receivables during the year.

Administrative expenses

The Group's administrative expenses mainly comprised of depreciation and amortisation expenses, taxes and stamp duty, staff costs, Listing (defined as below) expenses and office expenses. The Group's administrative expenses decreased from approximately RMB24.5 million for the year ended 31 December 2019 to approximately RMB20.4 million for the year ended 31 December 2020, representing a decrease of approximately 16.7%. The decrease in administrative expenses was mainly attributable to the decrease of Listing (defined as below) expenses from approximately RMB7.5 million for the year ended 31 December 2019 to approximately RMB1.4 million for the year ended 31 December 2020.

Income tax expenses

The Group's income tax expenses were stable at RMB16.0 million and RMB16.1 million for the years ended 31 December 2019 and 2020.

Finance costs

The Group's finance costs decreased from approximately RMB14.5 million for the year ended 31 December 2019 to approximately RMB13.6 million for the year ended 31 December 2020. The decrease in finance costs was mainly attributable to the lower average amount of bank borrowing during the year.

Profit

The Group recorded a profit of approximately RMB44.1 million for the year ended 31 December 2020 as compared to a profit of approximately RMB43.2 million for the corresponding year in 2019.

Use of net proceeds from the Listing

The net proceeds (the "**Net Proceeds**") from the Listing, after deducting the underwriting fees and commissions and estimated expenses paid by the Company in connection thereto, were approximately HK\$79.0 million. Since the listing on the Stock Exchange (the "**Listing**") only took place on 16 March 2021 (the "**Listing Date**"), the Net Proceeds had not been applied for during the year ended 31 December 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations:

1. Substantial amount of our revenue from OEM customers was derived from a few major OEM customers.
2. The Group relies on our third party distributors for the sale of our owned-branded products to their respective sub-distributors and retailers. Termination of or failure to renew our distribution agreements with our third party distributors, may significantly decrease the sale of our owned-branded products.
3. The Group's business may be negatively affected if our third party distributors fail to comply with our distribution policies and if our third party distributors fail to perform as expected.
4. The Group generally does not enter into long term contracts nor contracts with minimum purchase requirement with our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Unfavourable fluctuations in price, availability and quality of raw materials could cause material production delays and materially increase our costs of sales.
6. The outbreak of the COVID-19, may cause damage to its economy and as a result may adversely affect our business, results of operations and financial performance.
7. The Group's business is susceptible to food-borne illness claims and product liability claims, which may increase the likelihood of reputational risk.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the prospectus of the Group dated 26 February 2021 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets at 31 December 2020.

Comparison of business strategies and actual business progress

Since the Listing on the Stock Exchange only took place on the Listing Date, the business strategies stated in the Prospectus had not been applied for during the year ended 31 December 2020.

Principal risks and uncertainties in achieving our business strategies

Up to the date of this report, the Group faces certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus, and are summarised as follows:

- (1) The outbreak of the COVID-19, may cause damage to its economy and as a result may adversely affect our business plan to expand our production capacities and replace of machines in existing production lines;
- (2) When achieving our business plans, timing is everything. The Group may fail to grasp the business trend to determine the optimal time to hit the market or promote our brands; and
- (3) In an increasingly volatile and complex trading environment, the Group may face change of consumer behavior and high competition when we launch our marketing plan.

In order to alleviate the above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges. We will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

For the change in the capital structure of the Group from 31 December 2020 to the Listing Date, please refer to the section headed "Share Capital" of the Prospectus, and there has been no material change in the capital structure of the Company since the Listing Date.

Cash position

At 31 December 2020, the cash and cash equivalents of the Group amounted to approximately RMB28.5 million, representing a decrease of approximately 24.4% from approximately RMB37.7 million at 31 December 2019. The decrease was mainly due to the use of cash as working capital and the payment of the expenses in connection to the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

At 31 December 2020, the total borrowings of the Group, all of which were denominated in Renminbi (“RMB”), amounted to approximately RMB218.9 million (at 31 December 2019: approximately RMB225.0 million). Among the borrowings,

1. approximately RMB40.0 million (as at 31 December 2019: RMB40.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 6.09% and was secured by independent third parties.
2. approximately RMB147.4 million (at 31 December 2019: RMB151.5 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging from 5.66%–5.87% and was secured by right-of-use assets and property, plant and equipment of the Company.
3. approximately RMB27.0 million (at 31 December 2019: RMB28.5 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.22% and was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company and corporate guarantee by independent third parties. The personal guarantee by Directors and related parties of the Company has been released on 17 March 2021.
4. approximately RMB4.5 million (at 31 December 2019: RMB5.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.00% and was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company. The personal guarantee by Directors and related parties of the Company has been released on 17 March 2021.
5. Approximately RMB5.0 million bills payable at 31 December 2019 and were fully redeemed before 31 December 2020.

Pledge of assets

At 31 December 2020, the Group has pledged certain assets to secure facilities granted to the Group included (i) the right-of-use assets with carrying amount of RMB23,406,000 (2019: RMB23,985,000); (ii) the building with carrying amount of RMB118,540,000 (2019: RMB122,610,000); (iii) plant and machinery with carrying amount of RMB56,623,000 (2019: RMB65,347,000).

Gearing ratio

At 31 December 2020, the gearing ratio of the Group was approximately 73% (as at 31 December 2019: approximately 89%). The decrease was mainly due to the redemption of bills payable and increase in amount of the total equity the Group during the year. The gearing ratio is calculated based on the bank borrowings and bills payable divided by the total equity of the Group at the end of the respective year.

COMMITMENTS

As at 31 December 2020, the Group had capital commitment of approximately RMB15,000,000 in respect of acquisition of property, plant and equipment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no other material acquisition or disposal of subsidiaries, associates or joint ventures during the period between the Listing Date and 31 December 2020.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

At 31 December 2020, the Group had no significant contingent liabilities (at 31 December 2019: Nil).

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2020, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

TREASURY AND RISK MANAGEMENT

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

At 31 December 2020, the Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents.

At 31 December 2019 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits and credit approvals. The Group's monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2019: ECL model) on credit card trade receivables individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Other receivables

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9 (2019: ECL model). The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Cash and cash equivalents

The Group deposited its cash with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk were minimal.

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

LITIGATIONS

At 31 December 2020, the Group is not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance pending or threatened by or against any member of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

Our business objective is to strive to achieve sustainable growth and further enhance our position as a manufacturer of confectionary products in the PRC. We plan to leverage our competitive strengths and implement the following strategies: (i) expansion of production capacities; (ii) replacement of machines in our existing production lines; (iii) enhancement of marketing effort, increasing our sales through e-commerce channel and expansion of our distribution network; and (iv) expansion and enhancement of our product offerings through continuous product development efforts.

Historically, we are a confectionary products manufacturer in the PRC. We have focused on manufacturing and selling confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We own and operate our production facilities for manufacture of our confectionary products with a view to control our product quality, production costs and production schedule directly. We believe that production facilities, product development and quality control are crucial to our competitiveness and success. Thus, we will put significant emphasis on purchasing and introducing new production lines, purchasing new equipment and machines for replacement of existing machines and equipment. We will also emphasis on product development and will commit to enhancing product quality to cater for changing consumer preferences and enhancing our product offerings.

One of our business strategies is to leverage on our production and product development capacities and experience in the manufacture and sale of our own-branded products, we manufacture and sell our confectionary products under brands owned or licenced by OEM customers in the PRC and to overseas countries. To enhance our marketing, we will engage a marketing firm for promotion of our brands to strengthen our market position in the confectionary industry in the PRC and enhance our brand recognition and awareness, so as to increase our sales through e-commerce channel and enhance our distribution network.

We believe that above business strategies will take advantage of the business opportunities and explore new markets with significant growth potential in the PRC. Looking ahead, the Group will endeavor to strengthen the development of its businesses to provide steady return as well as growth prospects for the Company's shareholders.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zheng Zhenzhong (鄭振忠), aged 61, is the founder of our Group, chairman of the Board, executive Director and chief executive officer of our Company and was appointed as a Director on 21 February 2017. He was redesignated as executive Director of the Company on 6 May 2019. He is primarily responsible for formulating the overall strategic planning and monitoring the operational efficiency of the management system. Mr. Zheng has been the chairman and procurement director of Jiujiuwang Food since July 1999 and has served as a director of Coolsa Food, Jiujiuwang Food and Jiujiuwang Co since their establishment. Under Mr. Zheng's leadership, our business has grown into a food manufacturing company with a multi-brand product portfolio in Fujian Province. From May 1994 to October 2016, Mr. Zheng served various roles, including general manager and director, in Jinjiang Weijia Food Co., Ltd.* (晉江味佳食品有限公司), a company engaged in the manufacture of confectionary products and has no operation since July 2013 up to his resignation, and he was responsible for business management. Mr. Zheng has accumulated more than 26 years of experience in the confectionary industry in the PRC. He is one of the controlling shareholders ("**Controlling Shareholders**") of the Company.

Besides his role in our Group, Mr. Zheng was involved in various educational institutions, including being:

- the school manager* (校董) of Jinjiang City Huatai Experimental Primary School* (晉江市華泰實驗小學) from June 2012 to June 2015; and
- the school manager* (校董) of Jinjiang City Luoshan Middle School* (晉江市羅山中學) from June 2016 to June 2017.

Mr. Zheng Zhenzhong graduated from Quetang Village Primary School* (缺塘村小學) in June 1971.

Mr. Zheng Zhenzhong was a director of Jinjiang Xinghua Food Co., Ltd.* (晉江市興華食品有限公司), a company established in the PRC, which was engaged in the manufacturing of confectionary products immediately before its dissolution on 9 June 2013 by reason of cessation of business. As confirmed by Mr. Zheng Zhenzhong, (a) the dissolution of such business entity was due to cessation of business; (b) there was no wrongful act on his part leading to the aforesaid dissolution of business entity; (c) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the business entity; and (d) the business entity was solvent immediately prior to its dissolution.

Mr. Zheng is the father of Mr. Zheng Guosi, another executive Director.

Mr. Zheng Guosi (鄭國思), aged 37, was appointed as a Director on 17 November 2017 and was redesignated as executive Director of the Company on 6 May 2019. Mr. Zheng Guosi has been working as the general manager and supervisor of Jiujiuwang Food since January 2013 and January 2010, respectively. He assumes overall responsibility for the operation of the business and formulating the overall sales strategies of our Group. Mr. Zheng Guosi has accumulated over 20 years of experience in the confectionary industry in the PRC since he joined Jiujiuwang Food in January 2001. From January 2001 to December 2003, Mr. Zheng Guosi worked as the assistant sales manager of Jiujiuwang Food, mainly being responsible for collecting and analysing sales data and providing customer services. From January 2004 to December 2008, he worked as the sales manager of Jiujiuwang Food, mainly being responsible for implementation of sales plan of our Group. From January 2009 to December 2012, he worked as the sales director of Jiujiuwang Food, mainly being responsible for supervising and leading the sales team to achieve sales target. From April 2015 to October 2016, he also served various roles, including general manager, legal representative and director in Jinjiang Weijia Food Co., Ltd., and he was responsible for business management. He is one of the Controlling Shareholders of the Company.

Mr. Zheng Guosi completed his high school studies at Jinjiang City Jiyuan Middle School* (晉江市季延中學) in July 2000.

Mr. Zheng Guosi is a son of Mr. Zheng Zhenzhong, chairman of the Board, executive Director and chief executive officer of our Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Kan (陳侃), aged 32, is an executive Director and chief financial officer of our Company. He was appointed as a Director on 4 January 2019 and was redesignated as executive Director of the Company on 6 May 2019. Mr. Chen joined our Group in December 2012. Mr. Chen is the financial controller of Jiujiuwang Food. He is responsible for (i) establishing and improving the accounting and financial management system of our Group, (ii) managing the finance and accounting operation of our Group, (iii) analysing operation and financial performance of our Group; and (iv) coordinating the preparation of financial reports for effective decision making of our Group.

Mr. Chen has over 10 years of experience in accounting and financial management. Before joining our Group, Mr. Chen worked at Xiamen Juxin Investment Company Limited* (廈門鷗鑫投資有限公司), which is primarily engaged in investment in primary, secondary and tertiary industries, as financial director, and was responsible for the overall financial accounting, financing and management, from July 2010 to December 2012.

Mr. Chen received a bachelor's degree majoring in geography information system and minoring in international economics and trade from Sun Yat-sen University (中山大學) in June 2010. Mr. Chen was awarded the certificate of accounting professional by Zhangshu Municipal Finance Bureau* (樟樹市財政局) in August 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Linan (王禮南先生), aged 65, was appointed as our independent non-executive Director on 18 February 2021. Mr. Wang serves on the audit, remuneration, nomination and risk management committees and is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, between September 1988 and March 2016, Mr. Wang worked in Jinjiang County Commission for Inspection and Supervision Bureau* (晉江縣監察局) as section member* (科員), deputy chief of the monitoring unit* (監察股副股長), deputy director general of Jinjiang County (City) Commission for Inspection and Supervision Bureau* (晉江縣(市)監察局副局長), member of the standing committee of Jinjiang City* (晉江市紀委常委), deputy secretary* (副書記) and worked in Quanzhou City Commission for Discipline Inspection Supervision Bureau* (泉州市紀委監察局) as deputy director discipline inspector* (副處級紀檢監察員).

Mr. Wang studied physics and graduated from Jinjiang Regional Normal College* (晉江地區師範大專班) in April 1981. Mr. Wang then studied law and graduated from the Correspondence College of Party School of the Central Committee of the Communist Party of China* (中共中央黨函授學院) in December 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Shiming (吳世明先生), aged 45, was appointed as our independent non-executive Director on 18 February 2021. Mr. Wu serves on the audit and risk management committees and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Wu has over 25 years of experience in accounting and financial management. From November 2014 to present, Mr. Wu served as executive director and general manager of Xiamen Pivot Software Co., Ltd* (廈門支點軟件技術有限公司), mainly being responsible for formulating the company's development strategy, supervising the company's operation and management, reviewing and approving the company's financial report, and managing and supervising the company's financial activities. From December 2008 to September 2017, Mr. Wu served as a supervisor in Xiamen Bank Co., Ltd* (廈門銀行股份有限公司). Between January 2001 and February 2017, Mr. Wu was appointed as deputy chief executive officer in Xiamen Sumpo Group Company Limited* (廈門森寶集團有限公司), being responsible for monitoring the financial and operational performance and internal control, and executive director in Leyou Technologies Holdings Limited (樂遊科技控股有限公司) (stock code: 1089) from December 2010 to September 2017, being responsible for the overall strategic management and financial management. Between July 1995 and December 2000, Mr. Wu was the accountant of Xiamen Sumpo Group Company Limited* (廈門森寶集團有限公司), mainly being responsible for accounting-related matters. Mr. Wu was appointed as the independent non-executive director of China Gem Holdings Limited (中國中石控股有限公司) (stock code: 1191) (formerly known as Yueshou Environmental Holdings Limited (粵首環保控股有限公司)) between July 2014 and May 2018 and the independent non-executive director of Pak Tak International Limited (百德國際有限公司) (stock code: 2668) between September 2014 and August 2016. He was appointed as the independent non-executive director of China Putian Food Holding Limited (中國普甜食品控股有限公司) (stock code: 1699) between February 2012 and July 2019, the independent non-executive director of Theme International Holdings Limited (榮暉國際集團有限公司) (stock code: 990) since May 2015, and the independent non-executive director of Miko International Holdings Limited (米格國際控股有限公司) (stock code: 1247) since July 2018.

Mr. Wu studied foreign economic enterprise financial accounting* (外經企業會計) and graduated from Jimei University (集美大學) in June 1995. Mr. Wu studied online courses at Xidian University (西安電子科技大學) and obtained a degree of finance in March 2011. Mr. Wu became a qualified intermediate accountant in the PRC in December 2001 after he passed the national examination jointly organised by the Ministry of Finance and the Ministry of Personnel of the PRC.

Mr. Wu was a director of the companies below, which were struck off and dissolved as these companies ceased to carry on business. As confirmed by Mr. Wu, each of these companies was either inactive or dormant at the time when they were dissolved and so far as he was aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against him. Mr. Wu confirmed that there is no wrongful act on his part leading to the dissolutions of the following companies.

Name of company	Place of incorporation	Date of dissolution	Nature of business before dissolution
Shenzhen Senguang Trading Co., Ltd.* (深圳市森廣貿易有限公司)	PRC	9 December 2013	Deregistered
Shenzhen Senyue Technology Co., Ltd.* (深圳市森悅科技有限公司)	PRC	9 December 2013	Deregistered
Fujian Senbao Asset Management Co., Ltd.* (福建森寶資產管理有限公司)	PRC	28 December 2016	Deregistered
Guangzhou Senguang Trading Co., Ltd.* (廣州市森廣貿易有限公司)	PRC	13 February 2006	Deregistered

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Congming (陳聰明先生), aged 54, was appointed as our independent non-executive director on 18 February 2021. Mr. Chen serves on the audit, remuneration and nomination committees and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Chen started his own business in 1996 and set up Fujian Jinjiang Mingxing Motorcycle Trading Co. Ltd* (福建省晉江市明星摩托車貿易有限公司), being the executive director and general manager and mainly being responsible for determining the business policy as well as in charge of the day-to-day management and operation. Mr. Chen has accumulated years of experience in managing and operating his trading company. Leveraging on his success in the industry, Mr. Chen has been the vice chairman of Jinjiang Motor Vehicle Association* (晉江市機動車協會) since March 2009. Mr. Chen has been the vice chairman of Jinjiang Luoshan Chamber of Commerce* (晉江市羅山商會) since January 2017 and he is mainly responsible for participating and overseeing the implementation of committee matters.

Mr. Chen graduated from Jinjiang Fupu Primary School* (晉江福埔小學) in June 1978.

Mr. Chen was a sole proprietor of Jinjiang City Luoshan Great Yangtze River Motorcycle Accessories Department* (晉江市羅山大長江摩托車配件部), an individual industrial and commercial household (個體工商戶) established in the PRC, which was dissolved on 14 June 2019 as such enterprise ceased to carry on business. As confirmed by Mr. Chen, such enterprise was inactive at the time when it was dissolved, and so far as he was aware, the dissolution of such enterprise has not resulted in any liability or obligation being imposed against him. Mr. Chen confirmed that there is no wrongful act on his part leading to the dissolution of such enterprise.

SENIOR MANAGEMENT

Mr. Chen Minfei (陳敏飛), aged 49, is the chief production officer of our Company. He is responsible for overseeing and managing overall production activities of our Group. Mr. Chen joined our Group as production director in October 2016. Mr. Chen has over 24 years of experience in the manufacturing industry. Prior to joining our Group, Mr. Chen worked as senior production manager at Mars Wrigley Confectionery (China) Limited (瑪氏箭牌糖果(中國)有限公司) from June 1996 to October 2013, mainly being responsible for product production supervision. He then worked as plant manager at Guangzhou Uniasia Cosmetics Technology Co., Ltd. (廣州環亞化妝品科技有限公司) from March 2014 to August 2015, mainly being responsible for supervising the production of cosmetics. Afterwards, he served as production director at Guangdong Shishangsheng Cosmetics Manufacturing Co., Ltd.* (廣東十長生化妝品製造有限公司) from August 2015 to August 2016, mainly being responsible for product production supervision. Mr. Chen graduated with a bachelor's degree in food chemistry from Nanchang University (南昌大學) in July 1994.

Mr. Wang Guojun (王國軍), aged 52, is the chief technical and quality officer of our Company. He is responsible for overseeing the research and development of new products and supervising the quality control of products of our Group. Mr. Wang joined our Group as research and development director in November 2012. Mr. Wang has over 30 years of experience in the food and confectionery industry in the PRC. Prior to joining our Group, Mr. Wang worked at Shanghai Tianshan Huimin Food Factory* (上海天山回民食品廠) from September 1990 to April 2002, with his last position being plant manager, mainly being responsible for overall management. He then served as plant manager of Shanghai Big White Rabbit Candy Factory* (上海大白兔糖果廠) from April 2002 to May 2004, mainly being responsible for overall management of products. Afterwards, he served as research and development manager and technical quality control manager at Shanghai Guan Sheng Yuan Food Co., Ltd.* (上海冠生園食品有限公司) from May 2004 to November 2012, mainly being responsible for quality control and research and development. Mr. Wang graduated from Wuxi Institute of Light Industry* (無錫輕工業學院) (now known as Jiangnan University (江南大學)) with a bachelor's degree in food science and engineer (food) in 1990. He joined our Group in November 2012. He was awarded the qualification of quality engineer and senior engineer by Shanghai Personnel Bureau in June 2005 and December 2005, respectively. Mr. Wang was then awarded the qualification of national confectionery appraiser by the confectionery committee of China National Food Industry Association (中國食品工業協會糖果專業委員會) in October 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pei Huiming (裴慧鳴), aged 49, is the chief marketing officer of our Company. He is responsible for overseeing the marketing and sales functions of our Group. He joined our Group as vice general manager in sales and marketing in October 2014. Mr. Pei has over 15 years of experience in sales and marketing in the food and confectionary industry in the PRC. Prior to joining our Group, Mr. Pei worked as sales representative of Changsha Branch of Guangzhou Pepsi Cola Beverage Co., Ltd.* (廣州百事可樂飲料有限公司) from April 1995 to May 1999, mainly being responsible for product sales. Afterwards, he joined Jiakou Food (China) Co., Ltd.* (佳口食品(中國)有限公司), serving as regional sales manager from June 1999 to April 2004, mainly being responsible for regional market planning and sales. From April 2004 to October 2005, he served as sales support manager of Mars Wrigley Confectionery (China) Limited (瑪氏箭牌糖果(中國)有限公司), mainly being responsible for sales operation, sales planning and product coordination, sales administration and data management. Mr. Pei graduated from Huazhong University of Science and Technology (華中科技大學) in July 2001 with a bachelor's degree in international trade.

Ms. Tian Lan (田嵐), aged 42, is the chief human resources officer of our Company. She is responsible for overseeing human resource management and administrative management of our Group. She joined our Group as human resources manager in April 2013. Ms. Tian has over 20 years of experience in human resources and administrative management in the PRC. Prior to joining our Group, Ms. Tian worked as human resources specialist at Taoshan Hotel of Hubei Provincial People's Government* (湖北省人民政府桃山迎賓館) from April 2000 to February 2002, mainly being responsible for staff recruitment related matters. From June 2002 to January 2006, she worked as human resources supervisor of Wuhan Xiongming Environmental Technology Development Co., Ltd.* (武漢市雄銘環境科技發展有限公司), mainly being responsible for staff recruitment. Afterwards, she worked as human resources manager at the Wuhan Branch of Wuhan Strait Telecommunications Equipment Co., Ltd.* (武漢海峽電訊器材有限公司) from March 2006 to September 2012, mainly being responsible for staff recruitment matters. Ms. Tian graduated from Central China Normal University (華中師範大學) in June 2000 with a diploma in finance and accounting. She was awarded the qualification of human resource administrator (class II) by Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security* (人力資源和社會保障部職業技能鑒定中心).

COMPANY SECRETARY

Mr. Ng Kin Sun (吳建新), aged 51, was appointed as the company secretary of our Company on 20 March 2019. Mr. Ng graduated from University of Western Sydney, Nepean (currently known as Western Sydney University) in Australia with a bachelor's degree in Commerce in May 1994. He also obtained a master's degree in business administration from the University of Manchester in the United Kingdom in June 2011. Mr. Ng became an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in April 1998 and a certified practising accountant of CPA Australia (formerly known as Australia Society of Certified practicing Accountants) in August 1997, respectively. Mr. Ng has over 25 years of experience in auditing and financial management, company secretarial matters and regulatory compliance matters gained from various international accounting firms and listed companies. During the three years immediately preceding the Latest Practicable Date, Mr. Ng has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The shares of the Company (the “**Shares**”) have been successfully listed on the Stock Exchange on the Listing Date. The Board recognise that transparency and accountability are the cornerstones of the Company’s corporate governance.

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), and adopted various measures to enhance the internal control system, the Directors’ continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

As at the end of the reporting period, the shares of the Company were not yet listed on the Main Board of the Stock Exchange as the shares of the Company were listed on 16 March 2021. The code provisions were not applicable to the Company during the year ended 31 December 2020. Throughout the period since the Listing Date and up to the date of this report, the Company has complied with the code provisions, other than code provisions A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zheng Zhenzhong is our chairman and also the chief executive officer of our Company and he has been managing our Group’s business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group’s operations; (ii) Mr. Zheng’s in-depth knowledge and experience in the confectionary industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Zheng taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Roles and responsibilities of Mr. Zheng in the position of chairman and chief executive officer of the Company is to formulate the overall strategic planning and to monitor the operational efficiency of the management system and serving as the chairman of the nomination committee, member of the remuneration committee and the risk management committee.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry of the Directors, all Directors have complied with the required standard of dealings and the Company’s code of conduct regarding securities transactions by the directors throughout the period under review. The Company was not aware of any non-compliance in this respect since of the Listing Date.

BOARD OF DIRECTORS

From 18 February 2021 to 30 March 2021 (both dates included), the Board comprised three executive Directors, namely Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Chen Kan and three independent non-executive Directors, namely, Mr. Wang Linan, Mr. Wu Shiming and Mr. Chen Congming.

Throughout the year ended 31 December 2020, Mr. Zheng Zhenzhong has been the chairman of the Board and the chief executive officer of the Company.

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. During the year under review, the Board also assumes the responsibilities of maintaining a high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the codes of conduct and compliance manual (if any) applicable to Directors and employees and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Executive Directors and independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "**Board Committees**").

The Board has three independent non-executive Directors which complies with Rule 3.10 of the Listing Rules. All the three independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10 of the Listing Rules. The independent non-executive Directors represent at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

The Company has received from each independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.12 of the Listing Rules and therefore considers each of them to be independent.

The biographical details of the Directors and senior management are set out in the section headed with "Biographical Details of Directors and Senior Management" from pages 11 to 15 of this annual report. Save as disclosed under the paragraph headed "Chairman and Chief Executive" and in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORDS OF MEETINGS

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings in compliance with paragraph A.1.1 of the CG Code. The company secretary assists the Chairman to prepare the meeting notice and agenda. Each Director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each Director at least 3 days before each Board meeting or committee meeting to enable the directors to make informed decisions on the matters to be discussed, except where a Board meeting or committee meeting is convened on a very urgent basis to consider any urgent ad hoc matter.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to Directors for comment within a reasonable time after each meeting and all records of Board meeting and committee meetings are open for Directors' inspection.

Additional Board meetings will be convened, as and when required, to deal with ad hoc issues. Any Director who is not able to present physically may participate at any Board meeting through means of a telephone or tele-conferencing or any other telecommunications facility, in accordance with the articles of association of the Company (the "Articles").

During the year ended 31 December 2020 and up to the date of this report, the Board convened a total of 2 meetings in person or by means of electronic communication. Attendance of each Director at the Board meetings is set out below:

Name of Directors	Board Meeting Attended/Held
<i>Executive Directors</i>	
Mr. Zheng Zhenzhong (Chairman)	2/2
Mr. Zheng Guosi	2/2
Mr. Chen Kan	2/2
<i>Independent non-executive Directors</i>	
Mr. Wang Linan	2/2
Mr. Wu Shiming	2/2
Mr. Chen Congming	2/2

Up to the date of this report, the Company has not convened any general meeting since the Listing Date.

BOARD COMMITTEES

The Board has established four Board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and risk management committee (the "Risk Management Committee"). The written terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee are available on the websites of the Stock Exchange and the Company.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of directors, reviewing the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this annual report.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules, pursuant to a resolution of our Directors passed on 18 February 2021. The primary duties of the Audit Committee are, among others, to make recommendation to our Board on the appointment, reappointment and removal of external auditor, monitor integrity of the Group's financial statements, review significant financial reporting judgements contained in them, oversee the Group's financial reporting, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by the Board. The Audit Committee comprises of Mr. Wang Linan, Mr. Wu Shiming and Mr. Chen Congming, all being independent non-executive Directors. Mr. Wu Shiming is the chairman of the Audit Committee.

Pursuant to the terms of reference of the Audit Committee, meetings shall be held not less than twice a year and the external auditor may request a meeting if they consider that one is necessary. During the year ended 31 December 2020 and up to the date of this report, the Audit Committee convened one committee meeting. The Audit Committee had reviewed the Group's annual results for the year ended 31 December 2020 and discussed internal controls, risk management and financial reporting matters. Attendance of each Audit Committee member is set out below:

Name of Directors	Audit Committee Meeting Attended/Held
<i>Independent non-executive Directors</i>	
Mr. Wu Shiming (Chairman)	1/1
Mr. Wang Linan	1/1
Mr. Chen Congming	1/1

There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the Company's auditors. The Audit Committee is satisfied with their review of the auditors' remuneration, the independence of the auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), and recommended to the Board to re-appoint HLB as the Company's auditors in the year 2021, which is subject to the approval of shareholders at the forthcoming annual general meeting.

The Company's annual results and annual report for the year ended 31 December 2020 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 18 February 2020 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among others, to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of the Directors and senior management and ensure none of the Directors or their associates is involved in deciding their own remuneration. The Remuneration Committee comprises of two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Chen Congming, and one executive Director, namely, Mr. Zheng Zhenzhong. Mr. Wang Linan is the chairman of the Remuneration Committee.

Name of Directors	Remuneration Committee Meeting Attended/Held ^(Note)
<i>Executive Director</i> Mr. Zheng Zhenzhong	1/1
<i>Independent non-executive Directors</i> Mr. Wang Linan (Chairman) Mr. Chen Congming	1/1 1/1

During the year ended 31 December 2020 and up to the date of this report, the Remuneration Committee convened one committee meeting. Up to the date of this report, Remuneration Committee has assessed the performance of executive Directors and reviewed the remuneration and compensation package of the Directors and the Senior Management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group, and approved that the remuneration and compensation package remained unchanged, and the proposal to pay performance bonus to certain Directors based on the good performance of the Group in 2020.

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements.

REMUNERATION OF SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Annual remuneration by band	Number of Members of senior management
Nil to HK\$1,000,000	4

NOMINATION COMMITTEE

The Company established the Nomination Committee on 18 February 2020 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships. The Nomination Committee consists of three members: two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Chen Congming, and one executive Director, Mr. Zheng Zhenzhong. The chairman of the nomination committee is Mr. Zheng Zhenzhong. During the year ended 31 December 2020 and up to the date of this report, the Nomination Committee convened two committee meetings.

Name of Directors	Nomination Committee Meeting Attended/Held <small>(Note)</small>
<i>Executive Director</i>	
Mr. Zheng Zhenzhong (Chairman)	1/1
<i>Independent non-executive Directors</i>	
Mr. Wang Linan	1/1
Mr. Chen Congming	1/1

Up to the date of this report, the Nomination Committee has made recommendation on the re-election of all the directors, who were appointed by the Board on 18 February 2021, by the Shareholders in coming annual general meeting.

Nomination policy

As the Shares have only been listed since 16 March 2021, no meeting of the Nomination Committee was held during the year ended 31 December 2020. On 18 February 2021, the Nomination Committee held a meeting, considered and recommended the nomination policy to the Board. The Board thus approved and adopted the nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

CORPORATE GOVERNANCE REPORT

Nomination Criteria

Pursuant to the mandatory disclosure requirements effective in 2020, the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- (i) character and integrity;
- (ii) qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy (as defined below) that are relevant to the Company's business and corporate strategy;
- (iii) any measurable objectives adopted for achieving diversity on the Board;
- (iv) for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- (v) any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- (vi) willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- (vii) such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Board diversity policy

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 our board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service with our Company. The policy focuses on ensuring a balance composition of skills and experience at our Board level in order to provide a range of perspectives, insights and challenge that enable our Board to execute its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of our Group, and support succession planning and development of our Board. The ultimate decision in selecting the members of the Board will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge, skills and experience, including the areas of accounting, financial management, and food production industries. They obtained academic diplomas and degrees in various majors, including geography information system, international economics, law and foreign economic enterprise financial accounting. 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 has a wide range of age, ranging from 32 to 65 years old.

CORPORATE GOVERNANCE REPORT

Our nomination committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules. While we recognise that the gender diversity at the Board level can be improved given its current composition of all male Directors, we will continue to apply the principle of appointments based on merits with reference to our Board diversity policy as a whole and are committed to provide career development opportunities for female staff. Our nomination committee is delegated by our Board to take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments so as to achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to mixed gender. Our nomination committee will aim to recommend at least one female Director candidate to the Board for its consideration at least once per year, with the aim of adding at least one female Director to the Board within one year after Listing. Our nomination committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on 18 February 2020 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The primary duties of the Risk Management Committee are to enhance our Company's risk management ability and improve corporate governance of our Company, as well as assess the latest sanction-related risks our operations may be exposed to. The Risk Management Committee consists of three members: one executive Director, namely, Mr. Zheng Zhenzhong, and two independent non-executive Directors, namely, Mr. Wang Linan and Mr. Wu Shiming. The chairman of the risk management committee is Mr. Wu Shiming. During the year ended 31 December 2020 and up to the date of this report, no Risk Management Committee convened.

Name of Directors	Risk Management Committee Meeting Attended/Held ^(Note)
<i>Executive Director</i>	
Mr. Zheng Zhenzhong	–/–
<i>Independent non-executive Directors</i>	
Mr. Wu Shiming (Chairman)	1/1
Mr. Wang Linan	1/1

CORPORATE GOVERNANCE REPORT

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date. All service contracts are terminable by giving at least three months' notice and subject to termination provisions therein and provisions on retirement by rotation and re-election in accordance with the Articles and the Listing Rules.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date. All letters of appointment are terminable by giving at least three months' notice and subject to termination provisions therein and provisions on retirement by rotation and re-election in accordance with the Articles and the Listing Rules.

The Articles provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Further, the Articles provide that any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Company has taken out Directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

DIVIDEND POLICY

The declaration of future dividend will be subject to the recommendation of our Board and approval of our Shareholders in general meetings or, in the case of interim dividends, subject to the approval of our Board in accordance with the Articles. 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 and 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. Our Company does not currently have a fixed dividend policy nor any predetermined dividend payout ratio.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

The Directors are aware of the requirement under the code provision A.6.5 of the CG Code regarding continuous professional development. During the year ended 31 December 2020 and up to the date of this report, the Directors had reviewed the reading materials related to corporate governance and regulations that provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments.

Name of Directors	Attended in director training of connected transaction
<i>Executive Directors</i>	
Mr. Zheng Zhenzhong (<i>Chairman</i>)	✓
Mr. Zheng Guosi	✓
Mr. Chen Kan	✓
<i>Independent non-executive Directors</i>	
Mr. Wang Linan	✓
Mr. Wu Shiming	✓
Mr. Chen Congming	✓

DEED OF NON-COMPETITION

Since the Listing Date, each of the Controlling Shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 21 February 2021. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition have been complied with by the Controlling Shareholders and duly complied with since the Listing Date.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 December 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditors, HLB, about their reporting responsibility on the financial statements of the Group are set out in the independent auditors' report included in this annual report.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

The Board acknowledges its responsibility, as set out in the section headed “Independent Auditors’ Report” in this annual report, to prepare the Company’s financial statements which give a true and fair view of the Group’s state of affairs, results and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of HLB Hodgson Impey Cheng Limited, the Company’s external auditor, with respect to financial reporting are set out in the section headed “Independent Auditors’ Report” in this annual report.

Risk management and internal control

The Board acknowledges its responsibility for reviewing the effectiveness of the Group’s risk management and internal control systems. The risk management process includes risk identification, risk evaluation, risk management and risk control and review.

The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority.

Up to the date of this report, the Board has conducted an annual review of the adequacy and effectiveness of the implemented risk management and internal control system and procedures, including areas covering financial, operational, compliance and risk management functions. The systems are implemented to minimize the risk to which the Group is exposed and is used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses. The Board was satisfied with the adequacy and effectiveness of the risk management and internal control system.

The Group does not have an internal audit function as the Board has reviewed the effectiveness of the internal control system of the Company and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group’s business. The situation will be reviewed from time to time.

The Group has engaged an independent internal control consultant to conduct independent internal control review.

For the year ended 31 December 2020, the Board considered the Group’s internal control system as adequate and effective and that the Company has complied with the code provisions on internal control of the CG Code.

AUDITORS' REMUNERATION

During the year under review, HLB (including its affiliates) provided with the Group audit and non-audit services. The remuneration for the audit service and non-audit services provided by HLB (including its affiliates) to the Group during the year ended 31 December 2020 was approximately as follows:

Type of Services	Amount HK\$'000
Audit services	600
Non-audit services	–
	600

INVESTOR RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the shareholders and the investing public.

The Company has established several ways to communicate with the shareholders, details as follows:

- (i) the annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the shareholders. The Board members, appropriate senior executives and external auditor will attend the general meetings to answer the shareholders' questions;
- (ii) all corporate communication materials, including announcements, financial reports, notices of meeting and circulars are published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website as soon as practicable after their release. The primary corporate contact information is published on the Company's website; and
- (iii) Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, serves the shareholders in respect of share registration, dividend payment and related matters;

Share registration matters shall be handled for the Shareholders by the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company is committed to maintain effective and timely dissemination of the Group's information to shareholders and potential investors. Any enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

The Company adopted the new Articles on 18 February 2021 which became effective on the Listing Date in preparation of the Listing. No changes were made to the constitutional documents and other corporate communication materials of the Company from the Listing Date until the date of this report.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

1. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.
2. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.
3. Such meeting shall be held within two Months after the deposit of such requisition.
4. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Suites 4404-10, 44/F, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong or via telephone at (852) 2862 8555.

Putting forward proposals at a general meeting

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at Shareholders' meetings. The proposals shall be sent to the company secretary of the Company at the contact details as set out in the paragraph headed "Enquiries to the Board" by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in "Convening an extraordinary general meeting" above.

Procedures for nomination of Director by Shareholders

For any Shareholder who wishes to nominate a person to stand for election as a director at any general meeting of the Company, the following documents must be validly served on the company secretary at the Company's principal place of business in Hong Kong at Suites 4404-10, 44/F, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong, provided that the minimum length of the period, during which such documents are given, shall be at least seven days and that (if such documents are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such documents shall commence on the day after the despatch of the notice of the general meeting appointed for election of director and end no later than seven days prior to the date of such general meeting:

- (a) a written notice signed by the Shareholder(s), who is/are duly qualified to attend and vote at the meeting, of his/her intention to propose such person for election (the "**Nominated Candidate**");
- (b) letter of consent signed by the Nominated Candidate of his/her willingness to be elected; and
- (c) the full name and the biographical details of the Nominated Candidate as required under rule 13.51(2) of the Listing Rules for publication by the Company.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the CG Code.

REPORT OF DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements. The principal activities of the Group engages in manufacture and sell confectionary products, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products in the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

BUSINESS REVIEW

A fair review and an analysis of the business of the Group using financial key performance indicators, a discussion of the principal business risks and uncertainties facing the Group and the future development of the Group's business are provided in the section headed "Chairman's Statement" and paragraphs headed "Business Review", "Financial Review", "Principal Risks and Uncertainties" and "Prospects" in the "Management Discussion and Analysis" section, respectively on page 3, page 5, pages 5 to 6, pages 6 to 7 and page 10 of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in note 33(b) to the consolidated financial statements. These discussions form part of this Report of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has always encouraged environmental protection, strictly complied with environmental regulations and promoted environmental protection awareness among employees. The Group implements strict monitoring through the establishment of an ever-improving environmental management system. During the year ended 31 December 2020, the Group was in compliance, in all material respects, with the relevant environmental laws and regulations.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions undertaken in the normal course of business of the Group are set out in note 31 to the consolidated financial statements. None of these transactions with the related parties of the Group carried out during the year under review constituted connected transactions or continuing connected transactions under Chapter 20 of the Listing Rules.

DONATIONS

Donations of amount approximately HK\$140,000 had been made by the Group for the year ended 31 December 2020 (2019: approximately HK\$200,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 47 and note 37(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

There is no distributable reserves of the Company as at 31 December 2020, calculated under Part 6 of the Companies Ordinance (Cap.622) (2019: Nil).

PRE-EMPTIVE RIGHTS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 504 employees (at 31 December 2019: 494 employees). Remuneration of employees (excluding the Directors) is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. As incentives or rewards for their contribution to the Group, the Group has adopted the share option scheme and may grant options under the share option scheme to reward its employees, the Directors and other selected participants for their contributions to the Group.

The Directors are of the view that employees are one of the keys to the sustainable development of the Group. The Directors believe that the Group maintains good working relations with its employees.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of training to our employees, including (i) conducting in-house continuous professional development seminars; and (ii) provision of safety training programmes to enhance their safety awareness.

FINANCIAL SUMMARY

A summary of the Group's results and financial position is set out on page 96 of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year under review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report is published.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 18 February 2021. As of the date of this report, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

1. Purpose

The purpose of the Scheme is to enable the Group to grant options to the Eligible Participants (as defined in below) as incentives or rewards for their contribution to the Group and to provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the Group's objectives.

REPORT OF DIRECTORS

2. Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (“**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of our Group;
 - (bb) quality of work performed for our Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to our Group.

3. Maximum number of the Shares

The maximum number of Shares which may be issued upon exercise of all option to be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no account of any Shares which may be issued under the exercise of the Over-allotment Option), being 79,200,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the **"Maximum Limit"**). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

As at the date of this report, no Share options have been granted by the Company and the outstanding number of Share options available for grant under the Scheme is 79,200,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

4. Limit for each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders of the Company in general meeting and/or other requirements prescribed under the Listing Rules.

5. Exercise of an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the **"Adoption Date"**). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

6. Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for the grant of an option to subscribe for Shares granted pursuant to the Share Option Scheme may be accepted by an Eligible Participant in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option by such Eligible Participant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

REPORT OF DIRECTORS

Subject to paragraph the paragraph headed "(z) Obtaining necessary consent" on page VI-31 of the Prospectus, an option shall be exercisable in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate issued by the auditors to our Company or the independent financial adviser, our Company shall accordingly allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee share certificates in respect of the Shares so allotted. The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

7. Subscription price

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall, subject to any adjustments made in accordance with paragraph (r), be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Company was not yet listed on the Stock Exchange prior to 31 December 2020, the require standard of dealings as set out in Appendix 10 to the Listing Rules were not were not applicable to the Company. Following the successful listing of the Company on 16 March 2021, the Group has adopted the required standard of dealings, as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares.

DIRECTORS

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

Executive Directors

Mr. Zheng Zhenzhong (*Chairman*)
Mr. Zheng Guosi
Mr. Chen Kan

Independent non-executive Directors

Mr. Wang Linan
Mr. Wu Shiming
Mr. Chen Congming

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for the transactions disclosed in note 31 to the consolidated financial statements, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries or parent company was a party and in which a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year under review or 31 December 2020.

CONTRACTS BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDERS

No contract of significance, whether for provision of service or otherwise, between the Company or any of its subsidiaries and the controlling Shareholders or any of the controlling Shareholders' subsidiaries subsisted at any time during the year under review.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 11 to 15 of this annual report.

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

As at the Listing Date, the interests and short positions of the Directors and 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") 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 as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Zheng Guodian (<i>Note 1</i>)	Interest of controlled corporation	201,662,968	25.46%
Mr. Zheng Guosi (<i>Note 2</i>)	Interest of controlled corporation	201,662,968	25.46%
Mr. Zheng Zhenzhong (<i>Note 3</i>)	Interest of controlled corporation	172,853,972	21.82%

Note 1: These 175,000,000 Shares are held by Haisen International Limited ("**Haisen**"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zheng Guodian. Therefore, Mr. Zheng Guodian is deemed to be interested in all the Shares held by Haisen for the purpose of the SFO. Mr. Zheng Guodian is the sole director of Haisen.

Note 2: These 175,000,000 Shares are held by Xiejia Limited ("**Xiejia**"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zheng Guosi. Therefore, Mr. Zheng Guosi is deemed to be interested in all the Shares held by Xiejia for the purpose of the SFO. Mr. Zheng Guodian is the sole director of Xiejia.

Note 3: These 150,000,000 Shares are held by Jianeng International Limited ("**Jianeng**"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Zheng Zhenzhong. Therefore, Mr. Zheng Zhenzhong is deemed to be interested in all the Shares held by Jianeng for the purpose of the SFO. Mr. Zheng Zhenzhong is the sole director of Jianeng.

REPORT OF DIRECTORS

Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Zheng Guodian	Haisen	Beneficial owner	one	100%
Mr. Zheng Guosi	Xiejia	Beneficial owner	one	100%
Mr. Zheng Zhenzhong	Jianeng	Beneficial owner	one	100%

Save as disclosed above and so far as is known to the Directors, at the Listing Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of 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 interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 to the Listing Rules.

THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At Listing Date and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares

Name of shareholders	Capacity	Number of ordinary shares interested	Percentage of shareholding
Haisen	Beneficial owner (note 1)	201,662,968	25.46%
Ms. Hong Mali	Interest of spouse (note 2)	201,662,968	25.46%
Xiejia	Beneficial owner (note 3)	201,662,968	25.46%
Ms. Wu Zihong	Interest of spouse (note 4)	201,662,968	25.46%
Jianeng	Beneficial owner (note 5)	172,853,972	21.82%
Ms. Su Li	Interest of spouse (note 6)	172,853,972	21.82%

Notes:

1. Haisen is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zheng Guodian. Therefore, Mr. Zheng Guodian is deemed to be interested in all the Shares held by Haisen for the purposes of the SFO. Mr. Zheng Guodian is the sole director of Haisen.
2. Ms. Hong Mali is the spouse of Mr. Zheng Guodian. She is deemed to be interested in all the Shares in which Mr. Zheng Guodian is interested under the SFO.
3. Xiejia is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zheng Guosi. Therefore, Mr. Zheng Guosi is deemed to be interested in all the Shares held by Xiejia for the purposes of the SFO. Mr. Zheng Guosi is the sole director of Xiejia.
4. Ms. Wu Zihong is the spouse of Mr. Zheng Guosi. She is deemed to be interested in all the Shares in which Mr. Zheng Guosi is interested under the SFO.
5. Jianeng is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zheng Zhenzhong. Therefore, Mr. Zheng Zhenzhong is deemed to be interested in all the Shares held by Jianeng for the purposes of the SFO. Mr. Zheng Zhenzhong is the sole director of Jianeng.
6. Ms. Su Li is the spouse of Mr. Zheng Zhenzhong. She is deemed to be interested in all the Shares in which Mr. Zheng Zhenzhong is interested under the SFO.

Save as disclosed above, at Listing Date, the Directors were not aware of any interests or short positions of any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company 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 to be kept under Section 336 of the SFO.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors (including any Director resigned during the year under review) and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to Rule 13.51 of the Listing Rules during the year under review.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force since the Listing Date. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors in the execution and discharge of his or her duties or in relation thereto.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers were mainly retail customers and the Group was not dependent on any single customer. As such, the Directors consider that it is not practicable to identify our five largest customers of our Group for the year ended 31 December 2020.

The Group's five largest suppliers together accounted for approximately 33.4% (2019: 39.4%) of the Group's total purchase for the year under review. The largest supplier accounted for approximately 8.9% (2019: 10.1%) of the total purchase of the Group for the year under review.

None of the Directors, their respective close associates, or any Shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued Shares) had any interest in the major suppliers of the Company.

REPORT OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this report. The Company maintained the minimum level of public float of 25% of its total issued share capital.

COMPETING BUSINESS

Save as disclosed in the Prospectus and up to the date of this report, the Directors are not aware of any business or interest of the Directors or the controlling shareholders or any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the ordinary shares of the Company (the "Shares") between the Listing Date to the date of this report.

RELATIONSHIP WITH MAJOR STAKEHOLDERS

The Directors are of view that customers and business partners are one of the keys to the sustainable development of the Group. Our Directors believe that our Group maintains good working relations with its business partners and it endeavours to improving the quality of services to the customers.

The Group 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. The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its short-term and long-term goals.

Key Relationships with stakeholders

Employees

The Group respects its employees and endeavours to provide better working conditions for its employees. For the staff in PRC, they are members of state-managed retirement benefit schemes operated by the government of the PRC. The Company are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The Group has also established the policies for remuneration of employees so as to provide fair remuneration packages for the employees under the systemic remuneration management. The Group provides equal opportunity for employees in respect of promotion, appraisal, training, development and other aspects and to build up a sound career platform for employees.

The Group has not adopted a defined contribution schemes.

Customers

The Group focuses on improving the quality of its travel services and car rental services to enhance customer satisfaction, details of which will be elaborated in Environmental, Social and Governance Report of the Company which will be released later.

Suppliers

The Group used to work with the suppliers with the same objectives and develops mutually-successful working relationships with the key suppliers. The Group strictly follows its policy, which is constructed under the Group's corporate culture and professional standard in the selection of suppliers and purchasing process. Although the cost of purchase is a major consideration in selecting suppliers, the Group would also consider the suppliers' corporate social responsibility performances, which include the suppliers' performances on the aspects of legal and regulatory compliance and business ethics etc.

During the year, there was no material or significant dispute between the Group and its suppliers, customers and/or other stakeholders.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 20 May 2021 to 25 May 2021, both days inclusive, during which period no transfer of the Shares will be registered. Shareholders are reminded to ensure that all completed Share transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 May 2021.

EVENT AFTER REPORTING PERIOD

On 16 March 2021, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited, pursuant to which 78,536,000 shares were issued by the Company to existing shareholders by way of capitalization from the share premium account and 198,000,000 shares were issued by the Company's initial public offering at the offer price of HK\$0.75 per share. The gross proceeds and the estimated net proceeds amounted to approximately HK\$148,500,000 and HK\$79,000,000 according to the information discussed in "Future plans and use of proceeds" in the Prospectus dated 26 February 2021, respectively.

AUDITORS

The consolidated financial statements have been audited by HLB who will retire and, being eligible, offer themselves for re-appointment at the 2021 annual general meeting. In the last three years preceding 31 December 2020, there has been no change in the auditors of the Company.

REPORT OF DIRECTORS

AUDIT COMMITTEE

The Audit Committee, together with the management and external auditor of the Company, have reviewed the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 December 2020. The audit committee is of the opinion that the audited consolidated financial statements of the Group for the year ended 31 December 2019 comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

On behalf of the Board

Zheng Zhenzhong

Chairman

Hong Kong, 30 March 2021

INDEPENDENT AUDITORS' REPORT



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF JIUJIUWANG FOOD INTERNATIONAL LIMITED

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiujiuwang Food International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 95, which comprise the consolidated statement of financial position as at 31 December 2020, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 (the "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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' 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.

INDEPENDENT AUDITORS' REPORT

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 matter

Impairment assessment of trade receivables

Refer to note 19 to the consolidated financial statement

The Group had trade receivables with gross carrying amount of approximately RMB97,850,000 and allowance for expected credit losses of approximately RMB480,000.

In general, the credit terms granted by the Group to the customers ranged between 0 to 180 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers.

Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the allowance for expected credit losses assessment.

We focused on this area due to the allowance for expected credit losses assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2020 included:

- Understanding and evaluating that the Group has implemented to manage and monitor its credit risk.

- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2020 to the underlying financial records and post year-end settlements to bank receipts;

- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding ongoing business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and

- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITORS' REPORT

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	401,232	414,082
Cost of sales		(273,475)	(283,678)
Gross profit		127,757	130,404
Other income, gain or (loss), net	8	406	211
Selling expenses		(33,954)	(32,477)
Administrative expenses		(20,398)	(24,467)
Finance costs	9	(13,634)	(14,470)
Profit before taxation	10	60,177	59,201
Taxation	13	(16,099)	(16,005)
Profit for the year		44,078	43,196
Profit for the year attributable to owners of the Company		44,078	43,196
Items that may be reclassified subsequently to profit or loss:			
Exchange difference translation of foreign operations		518	319
Other comprehensive income for the year, net of tax		518	319
Total comprehensive income for the year attributable to owners of the Company		44,596	43,515
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	15	7.4	7.3

The accompanying notes from an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	233,500	240,259
Right-of-use assets	17	23,406	23,985
Deferred tax assets	27	120	257
		257,026	264,501
Current assets			
Inventories	18	81,199	73,791
Trade receivables	19	97,370	105,616
Prepayments and other receivables	20	45,410	9,411
Cash and cash equivalents	21	28,468	37,684
		252,447	226,502
LIABILITIES			
Current liabilities			
Trade payables	22	5,067	18,931
Accruals and other payables	23	11,083	12,163
Contract liabilities	24	1,056	2,746
Bank borrowings	25	218,920	225,000
Bills payables	22	–	5,000
Amount due to a director	31	8,309	7,575
Tax payables		4,374	3,520
		248,809	274,935
Net current assets/(liabilities)		3,638	(48,433)
Total assets less current liabilities		260,664	216,068
Net assets		260,664	216,068
EQUITY			
Share capital	26	350	350
Reserves		260,314	215,718
Total equity		260,664	216,068

The consolidated financial statements on pages 45 to 95 were approved and authorised for issue by the board of directors of the Company on 30 March 2021 and signed on its behalf by:

Zheng Zhenzhong
Executive Director

Zheng Guosi
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company					Total RMB'000
	Share capital RMB'000	Capital Reserve RMB'000 <i>(Note a)</i>	Statutory surplus reserve RMB'000 <i>(Note b)</i>	Exchange reserve RMB'000	Retained earnings RMB'000	
At 1 January 2019	350	3,990	17,817	(219)	150,615	172,553
Profit for the year	–	–	–	–	43,196	43,196
Other comprehensive income for the year	–	–	–	319	–	319
Total comprehensive income for the year	–	–	–	319	43,196	43,515
Transfer to statutory surplus reserve	–	–	4,878	–	(4,878)	–
At 31 December 2019 and 1 January 2020	350	3,990	22,695	100	188,933	216,068
Profit for the year	–	–	–	–	44,078	44,078
Other comprehensive income for the year	–	–	–	518	–	518
Total comprehensive income for the year	–	–	–	518	44,078	44,596
Transfer to statutory surplus reserve	–	–	4,508	–	(4,508)	–
At 31 December 2020	350	3,990	27,203	618	228,503	260,664

Notes:

- (a) The capital reserve represents the difference between the nominal value of the share capital issued by the Company and the consideration received pursuant to the group reorganisation.
- (b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiary is required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary in accordance with the relevant laws and regulations applicable to the PRC enterprise. The appropriation may cease to apply if the balance of statutory surplus reserve has reached 50% of the PRC subsidiary registered capital. The statutory surplus reserve fund can be used to makeup prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		60,177	59,201
Adjustments for:			
Depreciation of property, plant and equipment	16	16,533	17,437
Depreciation of right-of-use assets		579	579
Loss on disposal of property, plant and equipment	8	139	–
Net allowance for expected credit losses on trade receivables		(549)	248
Interest income	8	(173)	(68)
Interest expenses	9	13,634	14,470
Operating cashflow before movement in working capital		90,340	91,867
(Increase)/decrease in inventories		(7,408)	954
Decrease/(increase) in trade receivables		8,795	(16,349)
Increase in prepayments and other receivables		(35,999)	(7,786)
(Decrease) in trade payables		(13,864)	(10,579)
(Decrease) in contract liabilities		(1,690)	(378)
(Decrease)/increase in accruals and other payables		(1,080)	7,046
Net cash generated from operations		39,094	64,775
Income tax paid		(15,108)	(16,980)
Net cash generated from operating activities		23,986	47,795
Investing activities			
Interest received		173	68
Purchases of property, plant and equipment		(10,034)	(44,360)
Proceed from disposal of property, plant and equipment		121	–
Net cash used in investing activities		(9,740)	(44,292)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
	RMB'000	RMB'000
Financing activities		
Proceeds from bank borrowings	218,920	225,000
Repayment on bank borrowings	(225,000)	(226,950)
(Decrease)/increase in bills payable	(5,000)	2,000
Advance from a director	734	4,889
Interest paid	(13,634)	(14,470)
Net cash used in financing activities	(23,980)	(9,531)
Net decrease in cash and cash equivalents	(9,734)	(6,028)
Cash and cash equivalents at the beginning of the year	37,684	43,393
Effect of exchange rate changes	518	319
Cash and cash equivalents at the end of the year	28,468	37,684
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	28,468	37,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Jiujiuwang Food International Limited was incorporated in the Cayman Islands on 21 February 2017 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Haisen International Limited, Jianeng International Limited and XIEJIA LIMITED are the substantial shareholders of the Company. Its registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands and its principal place of business in is located at PRC.

The Company acts as an investment holding company. The Group principally engages in manufacture and sell confectionary products, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products.

The Company's functional currency is Hong Kong dollars ("HK\$"). However, the consolidated financial statements are presented in Renminbi ("RMB"), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group's transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated of financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2. REORGANISATION AND BASIS OF PRESENTATION

Under a group reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Company's share on The Stock Exchange of Hong Kong Limited, the following steps were taken place:

1. Incorporation of the Company, subsequent issue and allotment of Shares

On 21 February 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of the Company was US\$50,000 divided into 500,000 Shares of par value of US\$0.1 each.

On the same date, one initial Share of US\$0.1 was allotted and issued to Sertus Nominees (Cayman) Limited, the initial subscriber, which then transferred such Share to Jianeng International Limited (佳能國際有限公司) ("Jianeng"), the investment holding vehicle solely owned by Mr. Zheng Zhenzhong on the same date.

On the same date, our Company allotted and issued 149,999 and 175,000 Shares at par value to Jianeng, which is solely owned by Mr. Zheng Zhenzhong, and Haisen International Limited (嗨森國際有限公司) ("Haisen"), which is solely owned by Mr. Zheng Guodian, respectively.

On 17 November 2017, our Company further allotted and issued 175,000 Shares at par value, representing 35% of the enlarged issued share capital of our Company to XIEJIA LIMITED ("Xiejia"), which is solely owned by Mr. Zheng Guosi.

After the aforesaid allotment and issue of Shares, our Company was owned as to 30% by Jianeng, 35% by Xiejia and 35% by Haisen.

As part of our Reorganisation, our Company subsequently further increased its authorised share capital to US\$51,546.4 and allotted and issued 15,464 shares at a par value of US\$0.1 in our Company to APOC. On 5 October 2018, our Company allotted and issued 15,464 shares, credited as fully paid, to APOC. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

2. Incorporation of Junwo International Limited (“Junwo”)

On 24 May 2017, Junwo was incorporated in Hong Kong with limited liabilities. The issued share capital of Junwo was HK\$10,000 divided into 10,000 ordinary shares. Upon incorporation, 10,000 shares were issued and allotted to our Company and since then Junwo has been wholly owned by our Company.

3. Establishment of Jinjiang Coolsa Food Limited (“Coolsa Food”)

On 10 April 2017, Coolsa Food was established under the laws of PRC with limited liability with a registered capital of RMB5,000,000 and was owned as to 65% by Mr. Zheng Zhenzhong and 35% by Mr. Zheng Guodian.

On 20 November 2017, Mr. Zheng Zhenzhong transferred 35% equity interest in Coolsa Food to Mr. Zheng Guosi at nil consideration. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed on 4 December 2017.

Upon completion at the aforesaid transfer, Coolsa Food was owned as to 30% by Mr. Zheng Zhenzhong, 35% by Mr. Zheng Guodian and 35% by Mr. Zheng Guosi.

4. Acquisition of 3% equity interest in Coolsa Food by APOC HK

On 12 January 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with APOC HK, an Independent Third Party and a passive investor, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred 0.9%, 1.05% and 1.05% equity interest in Coolsa Food to APOC HK for a consideration of RMB45,000, RMB52,500 and RMB52,500 respectively, which were determined with reference to the appraised net asset value of Coolsa Food as at 30 June 2017. The considerations were settled on 17 April 2018.

APOC HK is a company incorporated in Hong Kong with limited liabilities and wholly owned by APOC, a company incorporated in the BVI with limited liabilities, which is in turn solely owned by Mr. Lee, as a passive investor. Such transactions were properly and legally completed on 31 January 2018.

5. Acquisition of 97% equity interest in Coolsa Food by Junwo from Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi

On 14 September 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Junwo, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Coolsa Food to Junwo at a consideration of RMB1,455,000, RMB1,697,500 and RMB1,697,500 respectively determined with reference to the then net asset value of Coolsa Food. The consideration was settled on 29 December 2019. Our PRC Legal Advisers have confirmed that such transactions were properly and legally completed and settled on 14 September 2018. Upon completion of the aforesaid transfers on 14 September 2018, Coolsa Food was owned to 97% by Junwo and 3% by APOC HK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

6. Subscription of shares by APOC

On 5 October 2018, APOC entered into the Investment Agreement with our Company, Jianeng, Haisen and Xiejia, pursuant to which our Company increased its authorised share capital from US\$50,000 to US\$51,546.4 by the creation of 15,464 Shares and issued and allotted the same at a par value of US\$0.1 each, credited as fully paid, to APOC, representing approximately 3% of the enlarged issued share capital of our Company at a consideration of RMB4,000,000, which was determined with reference to the historical financial results of our Group. This transaction was subject to the satisfaction of two conditions subsequent, namely (i) the transfer of 3% equity interest in Coolsa Food held by APOC HK to Junwo at a consideration of RMB150,000; and (ii) the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food. For details, please refer to the section headed “History, development and Reorganisation — Pre-IPO Investment” in the Prospectus. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC.

7. Acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK

On 5 October 2018, for the purpose of fulfilling the condition subsequent (i) mentioned above, APOC HK transferred all of its equity interest in Coolsa Food, i.e. 3%, to Junwo at a consideration of RMB150,000, which was determined with reference to the capital contribution by APOC HK in Coolsa Food. The consideration was settled on 2 March 2019. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed and settled on 17 October 2018.

Upon completion of the aforesaid transfer, Coolsa Food was owned by Junwo as to 100% and became a wholly owned subsidiary of our Company.

8. Acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food

On 22 October 2018, for the purpose of fulfilling the condition subsequent (ii) mentioned in the paragraph headed “7. Acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK” above, being the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Coolsa Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Food to Coolsa Food at a consideration of RMB24,000,000, RMB28,000,000 and RMB28,000,000 respectively determined with reference to their respective capital contribution in Jiujiuwang Food. Jiujiuwang Food declared dividend of RMB80.0 million to Coolsa Food on 28 December 2018, and such dividend was paid to Coolsa Food in several instalments on 29 December 2018, 3 January 2019 and 4 January 2019. Coolsa Food in turn settled the consideration to Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian on 29 December 2018, 3 January 2019 and 4 January 2019, respectively. Such transaction was properly and legally completed on 25 October 2018.

9. Acquisition of Jiujiuwang Co Limited (“Jiujiuwang Co”) by Jiujiuwang Food

On 29 December 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Jiujiuwang Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Co, i.e. 20%, 40% and 40%, to Jiujiuwang Food at nil consideration. Such transactions were properly and legally completed on 4 January 2019.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited with effect from 16 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to Reference to Conceptual Framework in HKFRSs and the following HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020:

Amendments HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performances for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Costs to fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018–2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been 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 Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

Basis of preparation of financial statements

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS36.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves 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 after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

Foreign Currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contract with customers

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good 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.

Revenue from the sale of confectionary product, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products in relation to OEM sale and own brand sale are recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is up to 180 days upon delivery. Payment in advance is required for some contracts.

A contract liability is recognised when the consideration is received from customers before the goods are delivered. A receivable is recognised when the goods are delivered and accepted as this is a point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

As a lessee (Continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the consolidated financial statements in which they are incurred.

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

Property, plant and equipment

Property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

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

The estimated depreciation rate for the current and comparative periods are as follows:

Buildings	2.5% per annum
Plant and machinery	10%–20% per annum
Furniture and office equipment	10%–20% per annum
Motor vehicles	10% per annum

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighting average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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 immediately in profit or loss.

When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the CGU on a pro rata basis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dividend

Dividend to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Classification and measurement of financial assets at amortised cost

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement of financial assets at amortised cost (Continued)

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Amortised cost and interest income

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL" model) on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

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

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

Significant increase in credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 180 days 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments Classification as financial liabilities or equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including bank borrowings, bill payables, amount due to a directors, trade payables, accruals and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Government Grants

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

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefits costs

Payments to defined contribution retirement benefits plan are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

Related parties transactions

A party is considered to be related to the Group if:

- (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 Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (for an associate or joint venture of a member of a group 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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;
 - (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 member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which is a part, provides key management personnel services to the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions (Continued)

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

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

Estimated useful lives of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets are approximately RMB233,500,000 and RMB23,406,000 respectively (2019: RMB240,259,000 and RMB23,985,000 respectively). No impairment losses were recognised during the year ended 31 December 2020. Details are disclosed in note 16 and 17.

Net realisable value of inventories

The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

Estimated Allowance for Expected Credit Losses of Trade Receivables

The Group recognises lifetime ECL for trade receivables and adopted simplified approach for assessing ECL on other receivables using individual assessment, based on the internal credit rating, the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Income tax and deferred taxation

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the year ended, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs.

The Group currently operates one operating segment which is revenue from sale of the confectionary products. Accordingly, the Group does not have separately reportable segments.

Geographical information

The Group's operations and non-current assets are located in the PRC. Information about the revenue based on the geographical locations of the customers are detailed below:

	2020 RMB'000	2019 RMB'000
PRC	365,837	365,339
Asia (excluding PRC) (Note 1)	12,319	15,623
Europe (Note 2)	21,129	28,626
Others (Note 3)	1,947	4,494
	401,232	414,082

Notes:

- (1) Included Philippines, United Arab Emirates, Palestine, Korea, Kuwait, Indonesia, Mongolia and Vietnam.
- (2) Included Germany, Poland, the United Kingdom, Ukraine, Lithuania, Czech Republic, Denmark, Spain, Italy and Belgium.
- (3) Included Australia, Argentina, Brazil, Canada, Ecuador, the United States and Mexico.

Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the year ended 31 December 2019 and 31 December 2020 are as follow:

	2020 RMB'000	2019 RMB'000
Customer A	86,375	98,733
Customer B	45,004	46,647

As at 31 December 2019 and 31 December 2020, 54.6% and 55.7% respectively of the Group's trade receivable were due from those customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount and other allowance for the year, and is analysed as follow:

	2020	2019
	RMB'000	RMB'000
Analysed by type of products		
OEM products	173,460	202,689
Own-branded products		
— Coolsa	183,811	170,274
— Lalabo	36,053	34,084
— Jiujiuwang	7,908	7,035
Sale of good, recognised at a point in time	401,232	414,082

Transaction prices are fixed in respective contracts. Unsatisfied performance obligations at 31 December 2019 and 31 December 2020 have expected duration of less than one year and are thus not disclosed as permitted under HKFRS 15.

8. OTHER INCOME, GAIN OR (LOSS), NET

	2020	2019
	RMB'000	RMB'000
Bank interest income	173	68
Exchange (loss)/gain	(404)	6
Rental income	29	52
Government grants	198	85
Loss on disposal of property, plant and equipment	(139)	–
Reversal of allowance for expected credit losses on trade receivables	549	–
	406	211

9. FINANCE COSTS

	2020	2019
	RMB'000	RMB'000
Interest expenses on — bank borrowings wholly repayable within five years	13,634	14,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Auditors' remuneration	600	16
Cost of inventories recognised as expenses	213,214	232,499
Depreciation of property, plant and equipment	16,533	17,437
Depreciation of right-of-use assets	579	579
Employee benefit expenses (including directors' emoluments)	45,065	42,499
Net allowance for expected credit losses on trade receivables	(549)	248
Listing expenses	1,443	7,455

11. DIRECTORS'S EMOLUMENTS

Details of the emoluments paid or payable (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) to the directors of the Company during the year for their services rendered to the entities comprising the Group are as follows:

	2020 RMB'000	2019 RMB'000
Directors' fees	–	–
Salaries, allowances and benefits in kind	694	696
Retirement scheme contributions	86	99
	780	795

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2020				
Executive directors:				
Mr. Zheng Zhenzhong	–	358	–	358
Mr. Chen Kan (note a)	–	168	43	211
Mr. Zheng Guosi	–	168	43	211
	–	694	86	780
Independent non-executive directors:				
Mr. Wang Linan (note b)	–	–	–	–
Mr. Wu Shiming (note b)	–	–	–	–
Mr. Chen Congming (note b)	–	–	–	–
	–	–	–	–
	–	694	86	780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. DIRECTORS'S EMOLUMENTS (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2019				
Executive directors:				
Mr. Zheng Zhenzhong	–	360	29	389
Mr. Chen Kan (<i>note a</i>)	–	168	35	203
Mr. Zheng Guosi	–	168	35	203
	–	696	99	795
Independent non-executive directors:				
Mr. Wang Linan (<i>note b</i>)	–	–	–	–
Mr. Wu Shiming (<i>note b</i>)	–	–	–	–
Mr. Chen Congming (<i>note b</i>)	–	–	–	–
	–	–	–	–
	–	696	99	795

Note:

(a) Appointed as an Executive Director on 4 January 2019

(b) Appointed as an Independent non-executive director on 18 February 2021.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group for the year, one (2019: one) was director of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining individuals were as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	1,605	1,251
Retirement scheme contributions	247	171
	1,852	1,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

The emoluments of the employees were within the following band:

	2020 RMB'000	2019 RMB'000
Nil to HK\$1,000,000	4	4

During the year, no emoluments were paid by the Group to the director and non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the director, non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

13. TAXATION

	2020 RMB'000	2019 RMB'000
The taxation charge comprises:		
Current tax		
— PRC Enterprise Income Tax	15,962	16,067
Deferred taxation	137	(62)
Total tax expenses for the year	16,099	16,005

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the year (2019: Nil).

The PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. TAXATION (CONTINUED)

The income tax expense for the years ended 31 December 2019 and 2020 can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	RMB'000	RMB'000
Profit before taxation	60,177	59,201
Tax at the PRC enterprise income tax rate of 25%	15,044	14,800
Effect of difference tax rate in other countries	90	451
Tax effect of expenses not deductible for tax purpose	828	816
Tax of unrecognised temporary difference	137	(62)
	16,099	16,005

14. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

15. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

	2020	2019
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted loss per share	44,078	43,196
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	594,000	594,000

Weighted average number of ordinary shares are on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed "Share Capital" set out in the Prospectus date 26 February 2021.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction In progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at 1 January 2019	150,780	123,414	2,508	2,487	32,802	311,991
Additions	–	17,242	–	–	27,118	44,360
Disposals	–	–	(210)	–	–	(210)
Transfer of construction in progress	9,125	23,795	–	–	(32,920)	–
As at 31 December 2019 and 1 January 2020	159,905	164,451	2,298	2,487	27,000	356,141
Additions	–	207	339	–	9,488	10,034
Disposals	–	(223)	(343)	(361)	–	(927)
As at 31 December 2020	159,905	164,435	2,294	2,126	36,488	365,248
Accumulated depreciation						
As at 1 January 2019	32,472	62,303	2,226	1,654	–	98,655
Charge for the year	4,823	12,299	104	211	–	17,437
Disposals	–	–	(210)	–	–	(210)
As at 31 December 2019 and 1 January 2020	37,295	74,602	2,120	1,865	–	115,882
Charge for the year	4,070	12,192	68	203	–	16,533
Disposals	–	(213)	(325)	(129)	–	(667)
As at 31 December 2020	41,365	86,581	1,863	1,939	–	131,748
Carrying amount						
As at 31 December 2020	118,540	77,854	431	187	36,488	233,500
As at 31 December 2019	122,610	89,849	178	622	27,000	240,259

As at 31 December 2019 and 2020, the Group's buildings and plant and machinery with a carrying amounts of approximately RMB187,957,000 and RMB175,163,000 respectively have been pledged as securing credit facilities granted to the bank.

During the year ended 31 December 2020, the additions of construction in progress of approximately RMB27,000,000 (2019: RMB27,118,000) represented the buildings and plant and machinery in the course of construction for production of its own use in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. RIGHT-OF-USE ASSETS

	Land use rights in the PRC under long-term leases RMB'000
Carrying amounts At 31 December 2020	23,406
At 31 December 2019	23,985
For the year ended 31 December 2020 Depreciation charge	579
For the year ended 31 December 2019 Depreciation charge	579

The right-of-use assets are charged to profit or loss over the respective term of the lease on a straight-line basis.

The leasehold lands have lease term of 50 years and the Group has processed the land use rights of the leasehold during the lease term.

As at 31 December 2020, the Group has pledged the land use rights of carrying amount of RMB23,406,000 (2019: RMB23,985,000) to secure credit facilities granted to the Group.

18. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	42,104	44,738
Work in progress	10,994	11,754
Finished goods	28,101	17,299
	81,199	73,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	97,850	106,645
Less: allowance for expected credit losses	(480)	(1,029)
	97,370	105,616

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 180 days to its customers.

Ageing analysis of trade receivables (net of allowance for expected credit losses) presented, based on invoice date, as at the end of each of the reporting periods is as follows:

	2020 RMB'000	2019 RMB'000
Within 30 days	37,174	35,808
31–60 days	29,767	22,765
61–90 days	18,011	26,756
91–180 days	12,418	20,287
181–365 days	–	–
Over 365 days	–	–
	97,370	105,616

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Credit limited attributed to customers are reviewed when necessary. All of the Group's trade receivables that are past due but not impaired have no history of defaulting on repayment. As at 31 December 2019 and 2020, the Group does not charge interest nor hold any collateral over the balances.

Movement in the allowance for expected credit losses on trade receivables

	RMB'000
Balance as at 1 January 2019	781
Net allowance for expected credit losses	248
Balance as at 31 December 2019 and 1 January 2020	1,029
Net allowance for expected credit losses	(549)
Balance as at 31 December 2020	480

Details of assessment of expected credit losses are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayment (Note)	44,492	8,410
Other receivables	918	1,001
	45,410	9,411

Note:

Include in prepayments, approximately RMB39,266,000 (2019: RMB3,125,000) represented the prepayments for purchase of raw material as at 31 December 2020.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents carry interest at prevailing market saving rates approximately ranged from 0.1% to 0.2% per annum as at 31 December 2020 (2019: 0.1% to 0.2%).

Included in the cash and cash equivalents as at 31 December 2020 were amounts in approximately RMB28,461,000 (2019: RMB37,677,000) which were placed with the banks in the PRC respectively. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restriction imposed by the PRC government. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulation, the Group is permitted to exchange for foreign currencies through the banks that are authorised to conduct foreign exchange business.

22. TRADE PAYABLES AND BILLS PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2020 RMB'000	2019 RMB'000
Within 30 days	3,724	16,997
31–60 days	1,343	1,934
61–90 days	–	–
91–180 days	–	–
181–365 days	–	–
Over 365 days	–	–
	5,067	18,931

Credit periods of trade payables normally granted by its suppliers were up to 60 days.

During the year ended 31 December 2019, the bills payables amounting to approximately RMB5,000,000 were secured by pledged bank deposits of approximately RMB5,000,000. The bills payables were with maturity period within 1 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. ACCRUALS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Accruals	5,519	3,568
Other payables	5,564	8,595
	11,083	12,163

24. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Advance from customers	1,056	2,746
		RMB'000
Balance as at 1 January 2019		3,124
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		(3,124)
Increase in contract liabilities excluding amounts recognized as revenue during the year		2,746
Balance as at 31 December 2019 and 1 January 2020		2,746
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		(2,746)
Increase in contract liabilities excluding amounts recognized as revenue during the year		1,056
Balance as at 31 December 2020		1,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Secured bank borrowings (notes a to d)	218,920	225,000
Carrying amount repayable within the period of		
— Within one year	218,920	225,000
— More than 1 year	—	—
Less: Amount classified as current liabilities	218,920 (218,920)	225,000 (225,000)
Amount shown under non-current liabilities	—	—

Notes:

- (a) As at 31 December 2020, the secured bank loans of approximately RMB40,000,000 (2019: RMB40,000,000) was secured by corporate guarantee by independent third parties.
- (b) As at 31 December 2020, the secured bank loans of approximately RMB147,420,000 (2019: 151,500,000) was secured by right-of-use assets and property, plant and equipment of the Company.
- (c) As at 31 December 2020 the secured bank loans of approximately RMB27,000,000 (2019: RMB28,500,000) was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company and corporate guarantee by independent third parties. The personal guarantee by Directors and related parties of the Company has been released on 17 March 2021.
- (d) As at 31 December 2020, the secured bank loans of approximately RMB4,500,000 (2019: RMB5,000,000) was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company. The personal guarantee by Directors and related parties of the Company has been released on 17 March 2021.

The above bank borrowings are all denominated in Renminbi.

The ranges of interest rates on the Group's bank borrowings are as follows:

	2020 %	2019 %
Effective interest rates:		
Fixed-rate borrowings	5.00–6.09	5.00–7.80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. SHARE CAPITAL

	2020 Number '000	2019 Number '000	2020 US\$'000	2019 US\$'000
Authorised:				
Ordinary of shares of US\$0.1 each	515	515	52	52
Issued and fully paid:				
Ordinary shares of US\$0.1 each at 1 January	515	515	52	52
Shown in the consolidated financial position (in RMB'000)			350	350

In connection with the listing of the shares of the Company (the "Shares") on the Main Board of the Stock Exchange (the "Listing") on 16 March 2021 (the "Listing Date"), the Company allotted and issued a total of 198,000,000 new shares at HK\$0.75 per share for the gross proceeds of approximately HK\$148,500,000.

27. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

	Allowance for expected credit losses on trade receivables RMB'000
Balance as at 1 January 2019	195
Credited to consolidated statement of profit or loss and other comprehensive income (<i>note 13</i>)	62
At 31 December 2019	257
Charged to consolidated statement of profit or loss and other comprehensive income (<i>note 13</i>)	(137)
At 31 December 2020	120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Bank borrowing	Bills payables	Amount due to a director	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	226,950	3,000	2,686	232,636
Interest accrued	14,470	–	–	14,470
Interest paid	(14,470)	–	–	(14,470)
Financing cash outflows	(226,950)	–	–	(226,950)
Financing cash inflows	225,000	2,000	4,889	231,889
At 31 December 2019 and 1 January 2020	225,000	5,000	7,575	237,575
Interest accrued	13,634	–	–	13,634
Interest paid	(13,634)	–	–	(13,634)
Financing cash outflows	(225,000)	(5,000)	–	(230,000)
Financing cash inflows	218,920	–	734	219,654
At 31 December 2020	218,920	–	8,309	227,229

29. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK\$1,500 per month. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The total expense recognised in profit or loss of RMB8,321,000 (2019: RMB6,901,000) represents contributions payable to these plans by the Group at rates specified in the rule of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. PLEDGE OF ASSETS

As at 31 December 2019 and 2020, the following assets of the Group were pledged to banks to secure the bank borrowings granted to the Group.

	2020 RMB'000	2019 RMB'000
Building	118,540	122,610
Plant and machinery	56,623	65,347
Right-of-use assets	23,406	23,985
	198,569	211,942

31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this annual report, the Group entered the following material related party transactions:

(a) Compensation of key management personnel

The directors of the Company are identified as key management members of the Group and their compensation during the years ended 31 December 2019 and 2020 are set out in Note 11.

(b) Financial guarantee

As at 31 December 2019, Mr. Zheng Zhenzhong, Mr. Zheng Guosi, Mr. Zheng Guodian and their spouses provided unlimited personal guarantee to the banking facilities of the Group's bank borrowing amounted to RMB33.5 million. The personal guarantee by Directors and related parties of the Company has been released on 17 March 2021.

On 12 October 2020, a subsidiary of the Group provided a counter guarantee by way of pledge of certain property, plant and equipment of a carrying amount of approximately RMB4.4 million in respect of a bank loan, with a principal amount of RMB5.0 million, granted to Mr. Zheng Guodian. The counter guarantee has been terminated with immediate effect on 10 December 2020.

(c) Amount due to a director

	2020 RMB'000	2019 RMB'000
Mr. Zheng Zhenzhong	8,309	7,575

The amount due to a director are unsecured, interest-free and repayable on demand.

32. CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitment of approximately RMB15,000,000 (2019: RMB15,000,000) in respect of acquisition of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

(a) Categories of Financial Instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Amortised cost (including cash and cash equivalents):		
Trade receivables	97,370	105,616
Prepayment and other receivables	918	1,001
Cash and cash equivalents	28,468	37,684
	126,756	144,301
Financial liabilities		
Amortised cost:		
Trade payables	5,067	18,931
Bills payables	–	5,000
Accruals and other payables	11,083	12,163
Amount due to a director	8,309	7,575
Bank borrowings	218,920	225,000
	243,379	268,669

The carrying amounts of the above balances approximate to their fair values.

(b) Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade receivables, prepayment and other receivables, cash and cash equivalents, trade payables, bills payables, accruals and other payables, amount due to a director and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk, liquidity risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial Risk Management Objectives and Policies (Continued)

Market risk

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk in relation to cash and cash equivalent and fixed-rate bank borrowings. The Group does not have a formulated policy to manage the interest rate risk but will closely monitor the interest rate risk exposure in the future.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on cash and cash equivalent.

No sensitivity analysis on interest rate risk on bank deposits is presented as the Directors consider the sensitivity on interest rate risk on bank deposits is insignificant.

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, cash and cash equivalents.

Trade receivables

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 81.5% and 94.4% of the trade receivable as at 31 December 2019 and 2020 respectively.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivables balances accounted for 67.4% and 66.6%, respectively of the trade receivables and the largest trade receivable was 35.9% and 39.6%, respectively of the Group's total trade receivables for the year ended 31 December 2019 and 2020 respectively.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

The Group applies the simplified approach to measure the expected credit losses prescribed by HKFRS 9 which permits the use of life time expected credit loss provision for trade receivables for those trade receivables with significant amount and long outstanding individual assessment are applied. The expected credit loss rates applied in the individual assessment are derived according to internal credit rating, by reference to the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

At 31 December 2019	Trade receivables — day past due							Total
	Not past due	Within 30 days	31–60 days	61–90 days	91–180 days	181–365 days	Over 365 days	
ECL rate	0.25%	3.23%	5.18%	9.91%	N/A	N/A	N/A	0.96%
Gross carrying amount (RMB'000)	93,667	4,119	4,479	4,380	–	–	–	106,645
Life time ECL (RMB'000)	(230)	(133)	(232)	(434)	–	–	–	(1,029)
	93,437	3,986	4,247	3,946	–	–	–	105,616

At 31 December 2020	Trade receivables — day past due							Total
	Not past due	Within 30 days	31–60 days	61–90 days	91–180 days	181–365 days	Over 365 days	
ECL rate	0.41%	4.16%	N/A	N/A	N/A	N/A	N/A	0.49%
Gross carrying amount (RMB'000)	95,781	2,069	–	–	–	–	–	97,850
Life time ECL (RMB'000)	(394)	(86)	–	–	–	–	–	(480)
	95,387	1,983	–	–	–	–	–	97,370

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experiences, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-months ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables are insignificant and thus no loss allowance is recognized.

Cash at bank

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, ECL rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019						
Non-derivative financial liabilities						
Trade payables	–	18,931	–	–	18,931	18,931
Bill payables	–	5,000	–	–	5,000	5,000
Accruals and other payables	–	12,163	–	–	12,163	12,163
Amount due to a director	–	7,575	–	–	7,575	7,575
Bank borrowings	6.34%	239,265	–	–	239,265	225,000
		282,934	–	–	282,934	268,669
As at 31 December 2020						
Non-derivative financial liabilities						
Trade payables	–	5,067	–	–	5,067	5,067
Bill payables	–	–	–	–	–	–
Accruals and other payables	–	11,083	–	–	11,083	11,083
Amount due to a director	–	8,309	–	–	8,309	8,309
Bank borrowings	5.73%	231,464	–	–	231,464	218,920
		255,923	–	–	255,923	243,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial Risk Management Objectives and Policies (Continued)

Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used).

The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis on fair value hierarchy is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the each reporting period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statements of financial position approximate of their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods commensurately with the level of risk.

The Group activity and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as bank borrowings and bills payables less cash and cash equivalents. In order to maintain or adjust the ratio, the Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2020.

The Group's net debt to equity ratio at the reporting period was as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Bank borrowings	218,920	225,000
Bills payables	–	5,000
Less: cash and cash equivalents	(28,468)	(37,684)
Net debt	190,452	192,316
Total equity	260,664	216,068
Net debt to equity ratio	0.73	0.89

35. INTEREST IN SUBSIDIARIES

The following is a list of the subsidiaries which, in the opinion of the Directors, principally affected the results of the Group for the years ended 31 December 2020 and 2019 or formed a substantial portion of the net assets of the Group.

Name of Companies	Place of establishment	Paid up registered capital	Equity interest attributable to the Group		Principal activity
			As at December 31 2020	2019	
Junwo Limited	Hong Kong	HK\$10,000	100%	100%	Investment Holding
Coolsa Food* (Note)	PRC	RMB5,000,000	100%	100%	Marketing and sales
Jiujiuwang Food* (Note)	PRC	RMB80,000,000	100%	100%	Manufacturing confectionary products

* English name for identification only

Note: Registered as a wholly-owned foreign enterprise under the PRC law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 18 February 2021. The purpose of the scheme is to motivating the Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of our Group and attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group. Under the Scheme, the directors of the Company may grant options to eligible participant ("Eligible Participants") including Directors, full-time employees of and advisers and consultants to the Company or its subsidiaries, to subscribe for shares in Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and maybe granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares in issue of the Company or having an aggregate value in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the "Adoption Date"). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

The subscription price of a Share in respect of any option granted under the Share Option Scheme shall be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

During the year ended 31 December 2020, the Company did not grant any share option under the share option scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Non-current assets		
Investment in a subsidiary	9	9
	9	9
Current assets		
Deposits and prepayments	2,941	3,015
Amount due from a director	–	110
Cash and cash equivalents	4	4
	2,945	3,129
Current liabilities		
Other payables	4,617	5,015
Amount due to a director (Note)	402	–
Amounts due to subsidiaries	2,954	2,469
	7,973	7,484
Net current liabilities	(5,028)	(4,355)
Net liabilities	(5,019)	(4,346)
Equity		
Share capital	350	350
Reserves	(5,369)	(4,696)
Total equity	(5,019)	(4,346)

Note: Amounts due to a director are unsecured, interest-free and repayable on demand.

The financial statements were approved and authorised for issue by the Board of Director on 30 March 2021 and are signed on its behalf by:

Zheng Zhenzhong
Executive Director

Zheng Guosi
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

(b) Reserves of the Company

The Company

Details of the movements of the reserves of the Company during the years ended 31 December 2019 and 2020 are set out as below:

	Capital Reserve RMB'000	Exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	3,990	(189)	(3,737)	64
Loss for the year	–	–	(5,087)	(5,087)
Other comprehensive income for the year	–	327	–	327
At 31 December 2019	3,990	138	(8,824)	(4,696)
Loss for the year	–	–	(900)	(990)
Other comprehensive income for the year	–	227	–	227
At 31 December 2020	3,990	365	(9,724)	(5,369)

38. EVENTS AFTER THE REPORTING PERIOD

On 16 March 2021, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited, pursuant to which 78,536,000 shares were issued by the Company to existing shareholders by way of capitalization from the share premium account and 198,000,000 shares were issued by the Company's initial public offering at the offer price of HK\$0.75 per share. The gross proceeds and the estimated net proceeds amounted to approximately HK\$148,500,000 and HK\$79,000,000 according to the information discussed in "Future plans and use of proceeds" in the Prospectus dated 26 February 2021, respectively.

39. AUTHORISATION OF ISSUE OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement were approved and authorised for issue by the Board of Directors on 30 March 2021.

FINANCIAL SUMMARY

	For the year ended 31 December		
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
CONSOLIDATED RESULTS			
Revenue	401,232	414,082	380,815
Profit before taxation	60,177	59,201	53,422
Taxation	(16,099)	(16,005)	(14,736)
Profit for the year	44,078	43,196	38,686
Total comprehensive income for the year attributable to owners of the Company	44,596	43,515	38,481

	For the year ended 31 December		
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
CONSOLIDATED ASSETS AND LIABILITIES			
Total assets	509,473	491,003	447,373
Total liabilities	(248,809)	(274,935)	(274,820)
Net assets	260,664	216,068	172,553