嘉士利集團有限公司
JIASHILI GROUP LIMITED

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

Annual Report
2021

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Xianming
(Chairman and Chief Executive Officer)
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Songhuan
Mr. Liu Shouping (appointed on July 26, 2021)

Non-Executive Director

Mr. Lin Xiao (resigned on July 26, 2021)

Independent Non-Executive Directors

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

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Shoom Chin Wan

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
35/F, One Pacific Place
88 Queensway
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investors Services Limited
Level 54 Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

HEADQUARTER IN PRC

No. 18 Gangkou Road, Changsha
Kaiping
Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE WEBSITE

www.gdjsl.com

STOCK CODE

1285

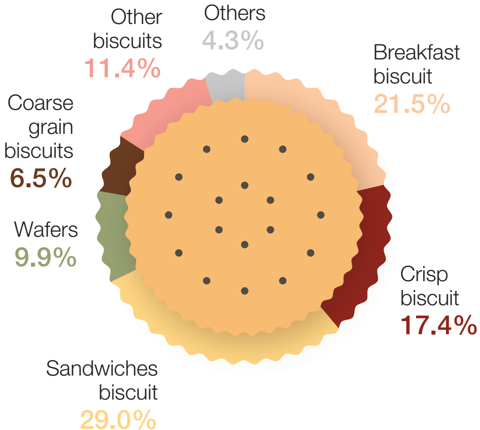
LISTING DATE

September 25, 2014

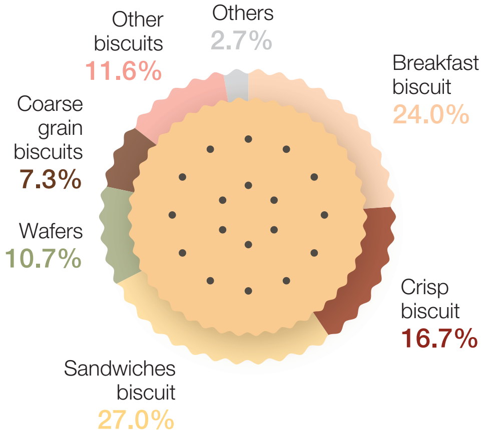
FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN BY MAJOR PRODUCT SEGMENTS

2021



2020



	Year ended December 31,		
	2021 (RMB'000)	2020 (RMB'000)	Increase/ Decrease
Revenue	**1,597,132**	1,518,545	↑ 5.2%
Gross profit	**458,923**	510,988	↓ 10.2%
Gross profit margin	**28.7%**	33.6%	↓ 4.9 percentage points
Profit for the year	**108,305**	145,265	↓ 25.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)(1)	**238,275**	250,296	↓ 4.8%
Operating profit (EBIT)(2)	**170,841**	191,385	↓ 10.7%
Earnings per share — Basic and diluted (RMB cents)	**27.81**	34.38	↓ 19.1%
Net profit margin	**6.8%**	9.6%	↓ 2.8 percentage points
Proposed final dividend per share (HKD)	**0.05**	0.05	—

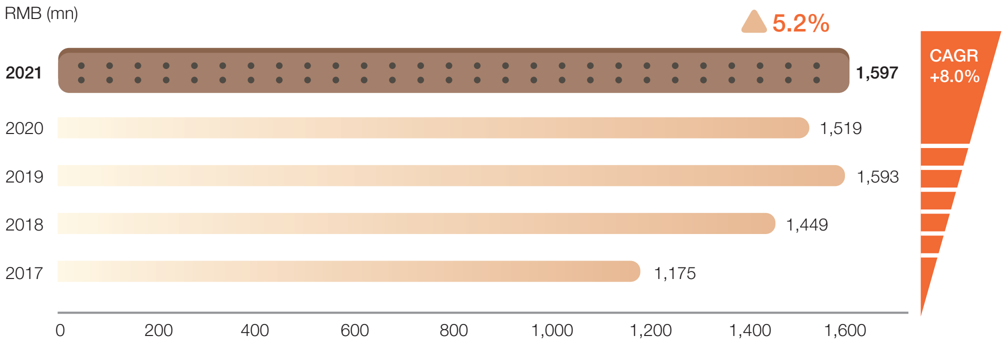
Remark:

(1) Include profit before tax but excluding finance costs and total depreciation and amortisation.

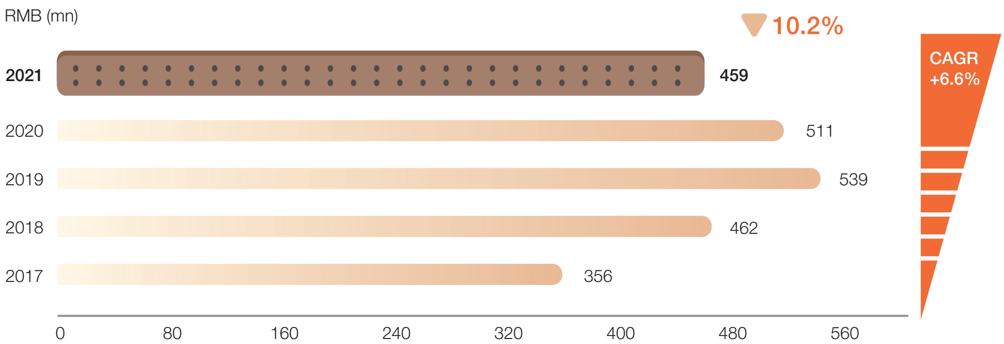
(2) Earnings before interest and tax, include profit before tax but excluding finance costs.

Financial Highlights

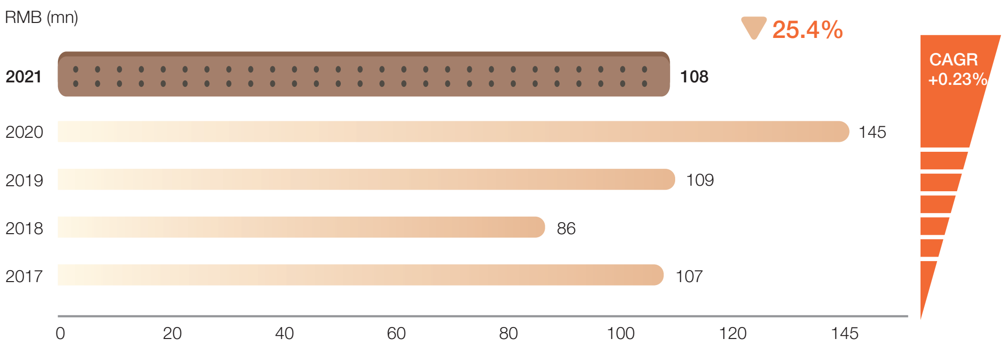
REVENUE



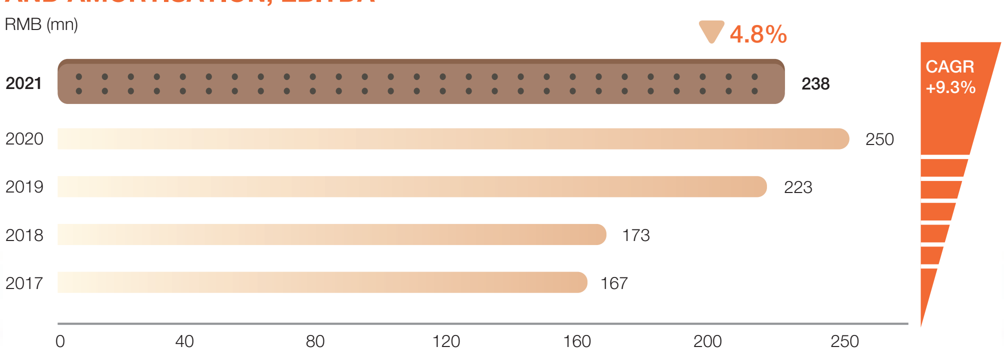
GROSS PROFIT



PROFIT FOR THE YEAR



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION, EBITDA



CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of Jiashili Group Limited ("Jiashili" or the "Company", together with its subsidiaries collectively, the "Group", "we", "our", "us"), I am pleased to present the annual results of Jiashili for the year of 2021.

Business performance

2021 was another unprecedented year of challenges and hardship, but also one that brought opportunity, resilience and compassion as individuals, businesses and communities around the world quickly adapted to address the impacts of the ongoing coronavirus pandemic ("COVID-19"). The COVID-19 pandemic brought disruption and uncertainty to our business and to all our distributors, colleagues, suppliers and shareholders. Our priority throughout the year, same as 2020 was to ensure our operational and financial resilience to serve our customers and play our part to make a positive impact for the good of our stakeholders and wider society, whilst also protecting the health and wellbeing of our employees. The Board (the "Board") of directors (the "Directors") is confident that while the pandemic have created challenges and turbulence in the past two years and still impacting our society now, our business is emerging stronger. Underpinning this confidence is a portfolio of our fantastic brands and a dedicated and committed team.

At times of adversity, spirit and character come to the fore and we have seen this in abundance from all at Jiashili during the year. The business has shown incredible resilience and agility in the year, with Group's revenue increasing 5.2% year-on-year to approximately RMB1,597.1 million in 2021. Overall we can maintain our market share despite these difficulties, whilst we are able to increase our market share in the segment of crisp biscuits and sandwich biscuits amid a little drop of sales in the rest of others. On product mix, breakfast biscuits, crisp biscuits and sandwich biscuits are being the dominant range represent about 67.8% (2020: 67.7%) of the total revenue. The Group's operating profit (earnings before interest and tax, EBIT) fell by 10.7% to approximately RMB170.8 million (2020: EBIT is approximately RMB191.4 million).

Chairman's Statement

This represents an EBIT margin of 10.7% (2020: 12.6%). Profits attributable to the Company amounted to approximately RMB115.4 million (decreased by 19.1% compared to previous year), providing a return on revenue of 7.2% (previous year: 9.4%). Net operating cash flow reached approximately RMB101.7 million (previous year: approximately RMB279.8 million). Significant factors affecting liquidity include cash flows generated from operating activities, future capital expenditures, acquisitions, dividends, the adequacy of available bank loans, and the ability to attract long-term capital with satisfactory terms. We believed that our Group is in a strong and healthy financial position generate substantial amounts of cash from operations with sufficient liquidity available for its working capital requirements, foreseeable capital expenditures and the payment of dividends.

Cost of production and gross profit margin

Prices of our raw materials including palm oil, flour and sugar have risen tremendously in 2021. The escalating prices inflation of raw materials led to Group's gross profit margin erosion in 2021. Our gross profit margin for the year 2021 decreased by 4.9 percentage points to 28.7% (2020: 33.6%). To minimize the impact of raw materials prices inflation we may consider the follows: i) advanced longer term contracting arrangements with key suppliers; ii) proactive supply chains and logistic action to secure effective delivery; iii) effective cost management; and iv) improved efficiency of our operations. We believed that the cost inflation we are experiencing across a number of our raw materials inputs is being proactively managed.

Chairman's Statement

Competition

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

Our responsibility, people, culture and values

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

Board changes

In July 2021, Mr. Liu Shouping was appointed as the Company's executive Director to replace our non-executive Director Mr. Lin Xiao. On behalf of the Board, we would like to take this opportunity to express our sincere gratitude to Mr. Lin Xiao for his contributions towards the Company during his tenure of office. Please refer page 52 of this report for the biographical details of Mr. Liu Shouping.

Chairman's Statement

Dividend

The Board is proposing a final dividend of HK$0.05 per share in this year. Together with the interim dividend of HK$0.10 per share this is a total dividend for the year of HK$0.15 per share. That compares to HK$0.05 per share last year, an increase of 200%. The final dividend, if approved by shareholders, will be paid on August 5, 2022 to shareholders on the register at the close of business on July 15, 2022. Shares will go ex-dividend on July 12, 2022.

Thank you to our employees

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

Looking ahead

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

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

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

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

Jiashili Group Limited
Huang Xianming
Chairman of the Board

March 30, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Resilience and Dedication

Jiashili is one of the largest producer of quality biscuits and crackers in China more than 65 years since 1956, we market, sell and distribute our products under more than 10 brand names in approximately 31 Provinces and Municipalities and 310 prefecture-level cities with more than 660 stock keeping units offered to market in China. At Jiashili, serving customers means more than selling food. It means acting as a responsible and sustainable business for all our stakeholders — customers, colleagues, suppliers and shareholders — and providing affordable, healthy and sustainable biscuits and snack for all. It is now more than two years since the beginning of the COVID-19 pandemic which has had such a profound impact on our business. During this pandemic period we saw the quality of our leadership team and the dedication of our team members who have continued to provide an outstanding level of service to our customers and our wider stakeholder base. Jiashili is a business full of people who truly care about what they do. The warmth and passion from people across the business has been inspiring. Throughout the pandemic we have strengthened our relationships with customers and suppliers, ensuring that together we could respond with agility to the changing market circumstances. We continue to support our customers by delivering exceptional service levels and we stepped up our community efforts during the pandemic. Our response to COVID-19 including 1) ensuring the health and safety of our employees, 2) safely producing and delivering our foods to customers and consumers, 3) supporting the communities in which we operate, and 4) maintaining financial flexibility. Our efforts have been led by our COVID-19 crisis management team consists of Board of Directors. The severity, magnitude and duration of the current COVID-19 pandemic are uncertain and rapidly changing. The Company is actively monitoring the pandemic and related governmental actions as they continue to develop and evolve. We will actively monitor our strategies as necessary to address any changing health, operational or financial risks that may arise.

The operating environment in 2021 remain highly competitive and uncertain. China saw a rapid recovery in 2021 due to the success of Chinese Government's measures in combating virus lead to relaxation of restriction orders and valiant recovery by private consumption. The 2021 Gross Domestic Product according to the data released by the National Bureau of Statistics of China exceeded RMB114 trillion, grew by 8.1% year-on-year amidst the COVID-19 pandemic. The 2021 China society total retail sales of consumer goods exceeded RMB44.1 trillion increased by 12.5% year-on-year showing a steady recovery of private consumption spending in China. In addition, the China society total retail sales of consumer goods (excluding automobiles) for the first two-months of 2022 exceeded RMB6.7 trillion, rose by 7.0% annually. The pace of recovery of China market looks promising and will depend on the delivery of the vaccine and on continued policy support. The Group is full of confidence in the future and will stay vigilant and cautious and will continue to maintain and improve product quality, innovating products portfolio, reducing costs and broadening the distributor network to safeguard revenue and addressing the needs of consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

Performance Review

Although COVID-19 has influenced the Group's short-term planning and actions, our strategy remains unchanged with long-term growth being driven by organic investment and supplemented by acquisitions. Our financial performance this year more than ever demonstrates the resilience of the Group. This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking. The Group's revenue has increased by approximately RMB78.6 million or 5.2% to approximately RMB1,597.1 million in 2021. On product mix, breakfast biscuits, crisp biscuits and sandwich biscuits are being the dominant range represent about 67.8% (2020：67.7%) of the total revenue, while coarse grain biscuits, wafer and other biscuits products make up the balance. Gross profit decreased by approximately RMB52.1 million to approximately RMB458.9 million from approximately RMB511 million in the same period of 2020, representing a year-on-year decline of 10.2%, the reduction was mainly due to the increase in our cost of raw materials (particularly the palm oil and flour). Then, gross profit margin decreased by approximately 4.9 percentage points to 28.7% as compared with that of 2020.

Profit for the year decreased by 25.4% or approximately RMB37.0 million in 2021 to approximately RMB108.3 million from approximately RMB145.3 million of 2020. The decrease was mainly attributable to the acceleration of raw materials cost inflation (particularly the rising prices of palm oil together with flour) together with an increase in current year provisions due to additional credit risks on loans under expected credit loss model. The pandemic triggered sharp fluctuations in the markets for raw materials and packaging materials. This volatility hit many industries hard and led to disruptions and even production interruptions. Despite this volatility, Jiashili succeeded in securing the supply of raw and packaging materials to most of its production sites in 2021, thanks to forward planning coupled with the ability to adapt quickly. Enhancement of product quality and raw material supplies are our Group strives for best quality with competitive prices, and zero customers complaints. This could be achieved by improved quality and supplies management and production and packaging processes. Through straight and stringent control on product safety, quality check and review will be implemented on each stages of production leads to costs reduction and enhancement of production efficiency.

The Group's objectives are to produce quality, popular and preferred biscuits and leisure snack products where you can share anytime, anywhere. Through our Company's effective sale strategy and our slogan "Quality and customers first" and our business philosophy of "Jiashili benefit the Nation and benefit to all People (嘉士利、利國家、利大家)" the Group strive to provide delicious and premium biscuits and other series products to the customers in China.

Marketing and promotion

Innovation has always been a strong tradition at Jiashili. Today, our pace of innovation is faster than ever, and every year we bring new creations on to the market. To cater for constantly changing consumer demands, our product specialists work day after day to ensure that every new product has the potential to become a classic one day. In 2021, research expenses amounted to approximately RMB64.7 million increased by 8.1% year-on-year. Research expenses accounted for approximately 4.1% of total revenue in 2021 (2020: 3.9%).

In 2021, our Group has more than 2,050 distributors in China, Jiashili is a consumer-led organisation. Our business model, structures and strategies continue to evolve, centred around a deep understanding of diverse local consumer preference. Jiashili continues to meet a wide range of rapidly evolving consumer preferences. Across different consumer landscape, today's most pronounced preferences include clean and cleaner label, convenience, nutrition & wellness, authenticity and premiumisation. These distinct preferences can mean different things to consumers in different parts of the world. Central to Jiashili's approach is the fundamental understanding of how to address these needs and support customers as they seek to innovate to win in today's marketplace. These ever-evolving consumer preferences are redefining consumption occasions right across end use markets and channels. Our customers is at the centre everything we do, we aims to adding value by offering so much more to distributors and our end customers. Our Group is undergoing consolidation in different distributor channels, aligning with different distributors through various channels such as supermarkets, shops, convenience stores and key accounts (KA) to fulfil our customers' needs. Some differentiated products are sold exclusive through specific channel to avoid possible conflicts among channels. We also strived for product differentiation in packaging and specifications among different channels and regions.

To promote our products our Group has a policy and control on promoting our products and brand names through discounts, tasting events, on-site advertisement and promotion. Selling, advertising and promotion expenses accounted for 8.8% of revenue of 2021. (2020: 9.4%). Jiashili is a highly diversified group with a wide range of biscuits and leisure snack products, more than 10 well-known grocery brands, and our flagship retail brand, "Jiashili". We have a strong social purpose: to provide safe, nutritious and affordable food that is great value for money.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

During the year ended December 31, 2021 Group's revenue rose by 5.2% year-on-year to approximately RMB1,597.1 million while the aggregate sales volume reached 101,101 tonnes, a 3.7 % decreased of the same period last year. The promising revenue performance was due to the strong domestic demands in the improving second half year of 2021 particularly in the fourth-quarter. Breakdown of the revenue and sales volume by product category in 2021 and the comparative figures for the same period last year are as follows:

	2021			2020			Changes in	
Sales volume/Revenue	Tonne	RMB (million)	Revenue contribution	Tonne	RMB (million)	Revenue contribution	Sales volume	Revenue
Breakfast biscuits	29,170	342.8	21.5%	32,412	363.9	24.0%	-10.0%	-5.8%
Crisp biscuits	20,245	277.2	17.4%	19,619	253.4	16.7%	3.2%	9.4%
Sandwiches biscuits	25,886	463.4	29.0%	24,741	410.0	27.0%	4.6%	13.0%
Wafers	8,915	157.9	9.9%	9,757	162.2	10.7%	-8.6%	-2.7%
Coarse grain biscuits	6,230	103.9	6.5%	7,239	111.4	7.3%	-13.9%	-6.7%
Other biscuits	10,656	182.3	11.4%	11,192	175.9	11.6%	-4.8%	3.6%
Others	–	69.6	4.3%	–	41.7	2.7%	–	66.9%
Total	101,101	1,597.1	100.0%	104,960	1,518.5	100.0%	-3.7%	5.2%

MANAGEMENT DISCUSSION AND ANALYSIS

Breakfast biscuits

Under COVID-19 pandemic level, our traditional breakfast biscuits delivered a decrease in reported sales, In 2021 the revenue generated from breakfast biscuits decreased by approximately RMB21.1 million, or 5.8% to approximately RMB342.8 million and sales volume decreased by 10.0% to 29,170 tonnes over the same period last year.

Crisp biscuits

In 2021, the revenue generated from crisp biscuits increased by approximately RMB23.8 million to approximately RMB277.2 million and sales volume increased by 3.2% to 20,245 tonnes over the same period last year. It was mainly driven by our Group strong brand name and effective pricing and promotion strategy.

Sandwiches biscuits

Turning to sandwiches biscuits, mainly fruit jam sandwiches biscuits (果樂果香), in 2021, the revenue generated from sandwich biscuits series rose by 13.0%, or approximately 53.4 million year-on-year to approximately RMB463.4 million. Sales volume increased by 4.6% to 25,886 tonnes over the same period last year. The reason for the increase was mainly attributable as follows: (i) the rapid recovery of China domestic retail consumption and the relaxation of social distancing and shops closedowns rules; and (ii) the online product promotion mainly via TikTok (抖音) proved to be effective as most of our target consumers are mostly university students; youngsters and teenagers, their acknowledgment and acceptance on on-line social media was exceptionally high.

Wafers

In 2021, the revenue generated from wafers amounted to approximately RMB157.9 million, a decline of 2.7% as compared with the corresponding period of last year. Sales volume fell by 8.6% to 8,915 tonnes.

Coarse grain biscuits

The revenue from coarse grain biscuits amounted to approximately RMB103.9 million, representing a decline of 6.7% or approximately RMB7.5 million as compared with the same period last year. Sales volume reached 6,230 tonnes representing a decrease of 13.9% from the same period last year. Product repositioning and marketing channel restructuring is underway for coarse grain biscuits.

Other biscuits

It is the Group's policy of actively seeking to expand different mix of biscuits products with different brands and flavors to meet customer's demands. Other biscuits products include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. During the year of 2021, the revenue of other biscuits amounted to approximately RMB182.3 million, representing an increase of 3.6% or approximately RMB6.4 million as compared with the same period last year. Sales volume fell by 4.8% to 10,656 tonnes.

Others

Others represent mainly consists of short shelf-life bread, mooncakes and other miscellaneous snack products in 2021. The revenue of others amounted to approximately RMB69.6 million, representing an increase of 66.9% or approximately RMB27.9 million as compared with the same period last year.

Gross profit and Gross profit margin

Overall gross profit margin decreased mainly due to price inflation of costs of raw materials particularly palm oil and flour. In 2021, gross profit amounted to approximately RMB458.9 million (2020: approximately RMB511.0 million), representing a year-on-year decrease of 10.2%. Gross profit margin decreased to 28.7% (2020: 33.6%) in 2021, representing a drop of 4.9 percentage points from last year. The decrease in both gross profit and gross profit margin was due to the escalating costs of our raw materials (mainly palm oil and flour).In 2021, the cost of palm oil and flour has increased by 46.8% and 4.8% per ton respectively from last year. The Group will further imposed stringent measures and controls to keep our production and manufacturing cost remain competitive.

Other income

Other income for the year of 2021 has decreased by approximately 15.9% to approximately RMB40.0 million compared with 2020. The decrease was primarily due to the recognition of government grants in current year is slightly lesser than the corresponding period of last year. However, the reduction of government grants income was partially offset by increase in interest income earned on loan receivables.

Selling and distribution expenses

Selling and distribution expenses comprise mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. Such expense remained roughly the same in 2021 as compared with 2020. The selling and distribution expenses has fell by 3.0% from approximately RMB223.0 million in 2020 to approximately RMB216.4 million in 2021. In 2021 the selling administration and advertising and promotion expenses were approximately RMB140.5 million (2020: approximately RMB142.3 million). Selling and advertising and promotion expenses as a percentage of revenue was 8.8% (2020: 9.4%) which was in line with Group's policy to expand and broaden our consumer base. Delivery and transportation expenses were approximately RMB75.9 million (2020: approximately RMB80.7 million). Delivery and transportation expenses as a percentage of revenue is 4.8% in 2021 (2020: 5.3%), The Company strive for efficient distribution strategy to save cost while at the same time meet customer demand in quicker delivery.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses remained the same in 2021 compared with 2020, For the year ended December 31, 2021, the administrative expenses amounted to approximately RMB78.4 million, representing an increase of approximately RMB2.0 million or 2.6% year-on-year, Administrative expenses mainly consist of staff costs, legal and professional expenses, other tax expenses and rental expenses.

Other gains and losses

During the year, other gains was approximately RMB82.5 million, a decrease of losses by approximately RMB82.9 million (2020: approximately RMB0.4 million losses) as compared with the corresponding period of last year. Other gains in current year was mainly attributable to the reversal and wrote back of impairment provision on prepayments which had been made in 2019.

Inventories

The Group's inventories consist of raw materials, packaging materials and, finished goods. The Group's inventories as at December 31, 2021 was approximately RMB104.8 million, increased by 7.5% from approximately RMB97.5 million as at December 31, 2020. The reason for the increase in inventories at the year end of 2021 was primarily due to the 2022 Lunar Chinese New Year is near the end of January 2022 leading to pile up of more inventories as at December 31, 2021. Thus, the inventory turnover days has increased from 30.83 days in 2020 to 32.43 days in 2021.

Trade, bills and other receivables

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and KA together with other deposits and prepayments. The Group's trade, bills and other receivables remained the same in 2021 as compared with 2020. The amounts of trade, bills and other receivables as at December 31, 2021 was approximately RMB181.0 million, which was the same as last year as at December 31, 2020. Thus, the trade, bills and other receivables turnover days has decreased from 44.53 days in 2020 to 41.36 days in 2021 due to tighter control on credit policy.

Working capital position

To preserve and maintain a stable cash flow is very important especially under unpredictable COVID-19 pandemic situation. Measures to mitigate the cash outflow included cutting back on discretionary spending and non-essential capital expenditure across the group was implemented. As at December 31, 2021, the Group's net current assets was approximately RMB94.7 million (2020: approximately RMB104.8 million). Current ratio of the Group as at December 31, 2021 was 1.11 (2020: 1.13). We believed our Group is in the healthy state of operating situation with adequate source of resources to meet our short-term debt.

Financial position and liquidity

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by our principal bankers. As at December 31, 2021, the Group had bank balances and cash amounted to approximately RMB383.7 million (2020: approximately RMB490.2 million). We are from time to time adopt prudent financial management policy to maintain sufficient cash to meet our cash flow needs. Total bank borrowings as at December 31, 2021 amounted to approximately RMB520.1 million, increased by approximately RMB211.1 million, or 68.3% from corresponding period of last year. All of our bank borrowings are unguaranteed and unsecured. The increase was due to the finance needs for the expansion of the business and also for marketing and promotion strategies. As at December 31, 2021, the Group was in a net debt position (defined as bank balances and cash less total bank borrowings, but exclude lease liability) of approximately RMB136.4 million (2020: net cash position of approximately RMB181.2 million). As at December 31, 2021, the gross gearing ratio (defined as total liabilities over total assets) was 59.1% (2020: 48.3%). Total equity as at December 31, 2021 was approximately RMB981.8 million, an increase of 7.1% from approximately RMB916.9 million as at December 31, 2020. We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity include cash flows generated from operating activities, future capital expenditures, acquisitions, dividends, the adequacy of available bank loans, and the ability to attract long-term capital with satisfactory terms. The Directors believed that the Group is in a strong and healthy financial position generate substantial amounts of cash from operations with sufficient liquidity available for its working capital requirements, foreseeable capital expenditures and the payment of dividends.

Human resources and remuneration of employees

As at December 31, 2021 the Group had a total of 3,655 employees. (December 31, 2020: 3,044) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual. For year ended December 31, 2021, the total employee benefits expenses (including Directors' and chief executive's remuneration) were approximately RMB242.7 million (2020: approximately RMB214.9 million).

Contingent liabilities and guarantees

As at December 31, 2021, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

Notwithstanding the challenging operating conditions we are currently experiencing, the Board is encouraged by the continued strategic and commercial progress of the business. Our outlook for 2022 is positive based on the rapid economic recovery of China and the rest of the world and we have a solid platform from which to continue Jiashili's successful long-term development.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

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

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

BOARD COMPOSITION AND DIVERSITY

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

Each member of our Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board. It is also important that we address issues of diversity in terms of skills, gender, ethnicity and experience relevant to our business. We believe the Board is appropriately balanced in terms of diversity with a good mix of specialist skills and market expertise. However, we continue to review the composition of the Board to ensure it remains appropriate to support the ongoing development of the Group.

Board Composition

During the year ended December 31, 2021 and as at the date of this report, the Board of the Company was constituted by seven members, including four executive Directors, and three independent non-executive Directors.

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

Executive Directors

Mr. Huang Xianming *(Chairman and Chief Executive Officer)*
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Songhuan
Mr. Liu Shouping (appointed on July 26, 2021)

Non-Executive Director

Mr. Lin Xiao (resigned on July 26, 2021)

Independent Non-Executive Directors

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

The biographical information of the Directors is set out on pages 51 to 52 of this report.

AREAS OF BOARD FOCUS

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

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

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

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

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

— assessing the effectiveness of our health and safety practices and monitoring across the Group, and identifying areas for improvement;

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

— ongoing senior recruitment.

COMPLIANCE

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

Code Provision A.2.1

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

Code Provision A.6.7

As stipulated in the Code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors shall attend general meetings. One non-executive Director and one independent non-executive Director were unable to attend the annual general meeting of the Company held on June 28, 2021 due to prior or unexpected business engagements.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended December 31, 2021.

THE ROLE AND FUNCTION OF THE BOARD AND COMMITTEES

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

The Board has established three principal board committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, which support the operation of the Board through their focus on specific areas of governance. The membership, responsibilities and activities of these committees are described on pages 24 to 31 of this report.

BOARD MEETINGS AND GENERAL MEETING

During the year ended December 31, 2021, six meetings were held by the Board and the Directors did not authorise any alternate Director to attend Board meeting. One general meeting was held, which is the annual general meeting held on June 28, 2021 to, among other things, receive and consider the audited financial statements and reports of the Directors and auditors of the Company for the year ended December 31, 2020. The attendance record of each Director at the Board meetings and the general meeting is set out below:

	General Meeting		Board Meeting	
Name of Board Members	**Number of attendance**	**Number of meetings**	**Number of attendance**	**Number of meetings**
Executive Directors				
Mr. Huang Xianming	1	1	6	6
Mr. Tan Chaojun	1	1	6	6
Mr. Chen Songhuan	1	1	6	6
Mr. Liu Shouping (appointed on July 26, 2021)	0	1	2	6
Non-Executive Director				
Mr. Lin Xiao (resigned on July 26, 2021)	0	1	4	6
Independent Non-Executive Directors				
Mr. Kam Robert	1	1	6	6
Ms. Ho Man Kay	1	1	6	6
Mr. Ma Xiaoqiang	0	1	6	6

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

Directors would receive relevant documents from the company secretary (the "Company Secretary") in a timely manner to enable the Directors to be informed decisions on matters discussed in the Board meetings. The Company Secretary would ensure the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. Board minutes prepared and kept by the Company Secretary are sent to the Directors for records and are open for inspection at any reasonable time on reasonable notice by any Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

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

A summary of training received by the Directors for the year ended December 31, 2021 is as follows:

Name of Board Members	Training on Corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Huang Xianming	√
Mr. Tan Chaojun	√
Mr. Chen Songhuan	√
Mr. Liu Shouping (appointed on July 26, 2021)	√
Non-Executive Director	
Mr. Lin Xiao (resigned on July 26, 2021)	√
Independent Non-Executive Directors	
Mr. Kam Robert	√
Ms. Ho Man Kay	√
Mr. Ma Xiaoqiang	√

Summary of the Board's Work During the Year

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

- review of operations and current trading;
- approval of the interim financial statements for the six months ended June 30, 2021;
- approval of the annual report and accounts for the year ended December 31, 2020;
- approval of the AGM resolutions;
- consider and review the Group's dividend policy;
- investor relations;
- treasury policy;
- growth and acquisition strategy;

- adoption of the 2021 budget;
- review of the works of the Group's Audit Committee, Remuneration Committee and Nomination Committee.

BOARD EVALUATION

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

COMMITTEES OF THE BOARD

Audit Committee

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

During the year ended December 31, 2021 and as at the date of this report, the Audit Committee comprised three independent non-executive Directors: Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang respectively. Mr. Kam Robert is the Chairman of the Audit Committee.

The principal responsibilities of the Committee are to:

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

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

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

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

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

During the year ended December 31, 2021, the Audit Committee had four meetings and the attendance record of the Audit Committee members is set out in the table below:

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

Activities during the year

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

Monitoring the integrity of reported financial information

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

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

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

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

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

In estimating the fair value of the Group's financial asset at FVTPL, it was determined based on the asset based approach by subtracting the total liabilities of the unlisted equity investment fund from its total assets. The Committee considered the reasonableness of the key assumptions, estimates and inputs adopted by the independent valuer. The Committee also reviewed and challenged the calculations made in deriving the fair value and the adequacy of the disclosures in respect of the key assumptions and estimates. Please refer to note 24 of this report for more details. On the basis of the key assumptions and associated estimates have made by the valuer, the Committee was satisfied that the fair value of the FVTPL amounted to appropriately RMB104.2 million, and the fair value gain on the financial asset at FVTPL for the year ended amounted to approximately RMB3.5 million.

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

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

Misstatements

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

Internal financial control and risk management

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

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

Internal audit

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

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

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

External audit

Auditor independence

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

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

- the extent of non-audit services provided by the external auditor. The total fees paid to DTT for the year ended December 31, 2021 was approximately RMB2.1 million of which approximately RMB0.02 million related to non-audit work.

Auditor effectiveness

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

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

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

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

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;

- the overall work plan and fee proposal;

- the major issues that arose during the course of the audit and their resolution;

- key accounting and audit judgements;

- the level of errors identified during the audit; and

- recommendations made by the external auditor in their management letters and the adequacy of management's response.

Auditor appointment

The Audit Committee reviews annually the appointment of the auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the Board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. The Audit Committee is satisfied with the auditor's effectiveness and independence and has recommended to the Board that DTT be reappointed as the Company's external auditor for 2022.

Nomination Committee

During the year ended December 31, 2021 and as at the date of this report, the Nomination Committee had four members comprising one executive Director and three independent non-executive Directors: Mr. Huang Xianming, Ms. Ho Man Kay, Mr. Kam Robert and Mr. Ma Xiaoqiang respectively. Mr. Huang Xianming is the chair of the Nomination Committee.

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

During the year ended December 31, 2021, the Nomination Committee held two meetings and the attendance record of the Nomination Committee members is set out in the table below:

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

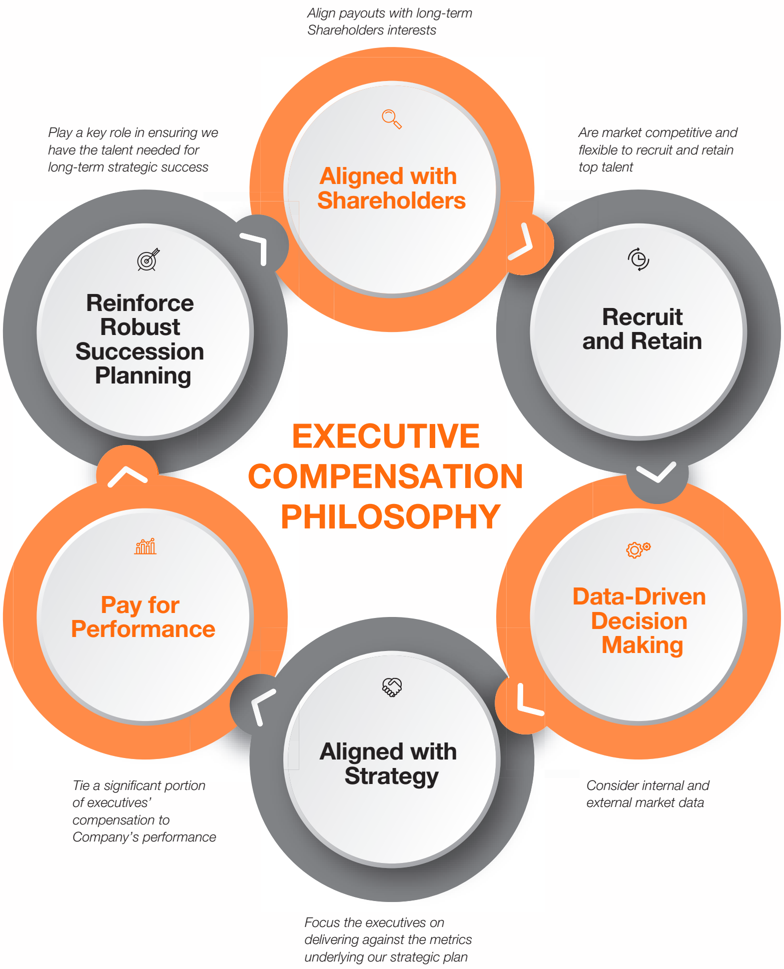
The Committee objective is to have a broad range of skills, background and experience within the Board as they believe that this ensures the Board is best placed to serve the Company. While they will continue to ensure that appoint the best people for the relevant roles, the Committee recognise the benefits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

During the year of 2021, Mr. Lin Xiao has tendered his resignation in July 2021 due to his personal reason to pursue other business engagements. The Committee and the Board are grateful for the contributions he has made. The Committee considered the current Board and Committee composition, the skills and experience required together with a review of the long-term succession plans. Following a rigorous selection process, the Committee recommended the appointment of Mr. Liu Shouping as a new executive Director. It is confident he will make a significant contribution to the effectiveness of the Board. Pursuant to the Company's Articles, Mr. Liu Shouping will be retired and offer himself for re-election in the next general meeting. The biographical details of the Directors are set out on pages 51 to 52 of this report.

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

CORPORATE GOVERNANCE REPORT

Remuneration Committee



During the year ended December 31, 2021, the Remuneration Committee had four members comprising one executive Director and three independent non-executive Directors: Ms. Ho Man Kay, Mr. Kam Robert, Mr. Ma Xiaoqiang and Mr. Huang Xianming respectively. Ms. Ho Man Kay is the chair of the Remuneration Committee.

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

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

During the year ended December 31, 2021, two meetings were held by the Committee to review and make recommendation of the remuneration of senior management and the attendance record of the Remuneration Committee members is set out in the table below:

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

Pursuant to the code B.1.5 of the CG Code, the following table sets forth the remuneration of the Directors and members of senior management categorised by remuneration group for the year ended December 31, 2021:

Group (Note)	Remuneration (RMB)	Numbers of Individuals
1	0–842,000	6
2	842,001–1,263,000	2

Note:

Group 1 includes 4 Directors and 2 members of senior management.

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

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

COMPANY SECRETARY

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

All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and should also facilitate induction and professional development of Directors. He confirmed that he had complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training during the year ended December 31, 2021.

INTERNAL CONTROLS

For the year ended December 31, 2021, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control and risk management system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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

Key Elements of Internal Control System

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

- An organisation structure which formally defines lines of responsibility and delegation of authority.
- Policies and procedures of all operating units within the Group are documented in the Standard Practice Instructions.
- Key functions such as corporate affairs, finance, tax, treasury and human resources are controlled centrally.
- Roles and responsibilities are properly segregated.
- Annual budgeting and target setting process which includes forecasts for each operating unit with detailed reviews at all levels of operations.
- Monetary limits are set up at different levels of authorised positions so that unauthorised transactions can be minimised.
- Effective reporting system in place to ensure timely generation of financial information for management review.
- Operating units meetings are conducted regularly to review financial performance, business development and deliberate on management issues.
- Executive Directors meet with senior management/all operating units to discuss and resolve key operational, financial and other key management issues. Significant issues are highlighted and discussed at Board meetings.
- The Audit Committee has access to external auditors and their reports and meets with them to discuss on their findings and reports.
- The Group has a policy on financial limits and approving authority for its operating and capital expenditure.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility

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

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

Internal Audit

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

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

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

SHAREHOLDERS' RIGHTS

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

1. Convening a General Meeting

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

2. Putting Forward Proposals at General Meeting

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

3. Putting Forward Enquiries to the Board

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

4. Contact Details

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

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

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

5. Articles of Association of the Company

The Articles of Association was adopted pursuant to a special resolutions of the Company passed on August 21, 2014 and took effect from the Listing Date. Since then, there have been no changes to the Articles of Association and an up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

INVESTOR RELATIONS

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

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended December 31, 2021.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Segment analysis of the Group (categorised by major products) for the year ended December 31, 2021 is set out in note 6 to the consolidated financial statements of the Group contained in this report. A review of the business of the Group during the year and its future development and an analysis of the Group's performance during the year using financial key performance indicators as required under Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong), as well as particulars of important events affecting the Company that have occurred since the end of the year ended December 31, 2021, are set out in the "Chairman's Statement" on pages 6 to 9 and the "Management Discussion and Analysis" on pages 10 to 17 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Board

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

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

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

The Audit Committee

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

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

Executive Committee

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

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

Business area management

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

Business management

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

Our approach to risk management

The delivery of our strategic objectives and the sustainable growth (or long-term shareholder value) of our business, is dependent on effective risk management. Similar with any business, risks and uncertainties are inherent in our business activities and it is through a structured approach to risk management that we are able to mitigate and manage these risks and embrace opportunities when they arise. These disciplines have proved to be effective as we navigate our way through the challenges resulting from the COVID-19 pandemic.

REPORT OF THE DIRECTORS

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

Principal risks and uncertainties

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

Market demand for new and existing products could decline

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

- Effective retail execution;
- Appropriate advertising campaigns and marketing programs;
- Our ability to secure adequate shelf space at retail locations;
- Our ability to drive sustainable innovation and maintain a strong pipeline of new products in the confectionery and broader snacking categories; and
- Changes in product category consumption.

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

Changes in our relationships with significant distributors could adversely affect us

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

Disruption of our supply chain could have an adverse impact on our business, financial condition, and results of operations

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

Any damage to our reputation could have a material adverse effect on our business, financial condition, and results of operations

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

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this report. The Board has proposed a final dividend of HK5.00 cents per share for the year ended December 31, 2021 (2020: HK5.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at Friday, July 15, 2022. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "2022 AGM"), the final dividend will be paid on or about Friday, August 5, 2022. Together with the interim dividend of HK10.00 cents per share, the total dividends per share for the year ended December 31, 2021 are HK15.00 cents (2020: HK5.00 cents).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Wednesday, June 22, 2022 to Tuesday, June 28, 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, June 21, 2022. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, July 14, 2022 to Friday, July 15, 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than Hong Kong time 4:30 p.m. on Wednesday, July 13, 2022.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 4.5% of the Group's turnover and sales to the Group's largest customer was approximately 1.1% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 23.0% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 8.9% of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 40 to the consolidated financial statements.

RESERVES

At December 31, 2021, the Company's reserves available for distribution amounted to approximately RMB211.1 million (2020: approximately RMB271.4 million). Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 66 and reserves of the Company on page 164 respectively.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, all Directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses losses or liabilities which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended December 31, 2021.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

DONATION

The Group made a charitable donation of approximately RMB2.8 million (2020: approximately RMB3.2 million) during the year ended December 31, 2021.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities and cash flow summary as at the end of the last five financial years is set out on pages 54 to 55 of this report.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement during the year of 2021.

REPORT OF THE DIRECTORS

SUBSIDIARIES

Details of the Company's subsidiaries as at the date of this report are set out in note 50 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Huang Xianming *(Chairman and Chief Executive Officer)*
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Songhuan
Mr. Liu Shouping (appointed on July 26, 2021)

Non-Executive Director

Mr. Lin Xiao (resigned on July 26, 2021)

Independent Non-Executive Directors

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 51 to 53 of this report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Continuing Connected Transactions" below and note 48 "Related Party Disclosures" to the consolidated financial statements, no transaction, arrangement or contract of significance (as defined in the Appendix 16 of the Listing Rules) in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director, an entity connected with a Director, or Controlling Shareholders had a material interest, whether directly or indirectly, subsisted at the end of 2021 or at any time during 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

MANAGEMENT CONTRACTS

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

CONTINUING CONNECTED TRANSACTIONS

The Group had entered a continuing connected transaction (the "Continuing Connected Transactions") which is required to be disclosed in the annual report in accordance with the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This Continuing Connected Transactions is subject to annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules and reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

Detail of the Continuing Connected Transactions during the year was as follows:

Pursuant to a master purchase agreement dated October 17, 2019 entered into between Guangdong Jiashili Food Group Company Limited (廣東嘉士利食品集團有限公司) (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company and Guangdong Kangli Food Company Limited (廣東康力食品有限公司), a wholly-owned subsidiary of Guangdong Zhongchen Industrial Group Company Limited (廣東中晨實業集團有限公司), Guangdong Jiashili Food Group Company Limited (廣東嘉士利食品集團有限公司) agreed to purchase pasta products from Guangdong Kangli Food Company Limited (廣東康力食品有限公司). The master purchase agreement is for a term ending on December 31, 2021 subject to the annual caps of RMB12,000,000, RMB80,000,000 and RMB100,000,000 for the financial years of 2019, 2020 and 2021 respectively.

REPORT OF THE DIRECTORS

Guangdong Zhongchen Industrial Group Company Limited (廣東中晨實業集團有限公司), a limited liability company owned as to 80% by Mr. Huang Xianming ("Mr. Huang"), 5% by Ms. Huang Cuihong (the spouse of Mr. Huang), 5% by Ms. Huang Xianxian (a sister of Mr. Huang), 5% by Ms. Huang Rujiao (a sister of Mr. Huang) and 5% by Ms. Huang Rujun (a sister of Mr. Huang). As Mr. Huang is an executive Director, the chairman and a controlling shareholder of the Company, Guangdong Kangli Food Company Limited* (廣東康力食品有限公司) is a connected person of the Company. Accordingly, the entering into of the master purchase agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang, have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better from the perspective of the Group; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Continuing Connected Transactions amounts for the year ended December 31, 2021 was nil.

For the years ended December 31, 2019 and 2020 and 2021, the Continuing Connected Transactions amounts were RMB4,587,800, RMB3,274,659 and nil respectively.

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

As at December 31, 2021, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

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

Notes:

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

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

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

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

As at December 31, 2021, the following persons have an interest or a short position in the shares required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Huang	Interest in controlled corporation[1]; interest in family member[2]/Long position	310,472,000[3]	74.81%
Ms. Huang Cuihong	Interest in controlled corporation[1]; interest in family member[2]/Long position	310,472,000[3]	74.81%
Ms. Huang Xianxian	Interest in controlled corporation[1]; interest in family member[2]/Long position	310,472,000[3]	74.81%
Ms. Huang Rujiao	Interest in controlled corporation[1]; interest in family member[2]/Long position	310,472,000[3]	74.81%
Ms. Huang Rujun	Interest in controlled corporation[1]; interest in family member[2]/Long position	310,472,000[3]	74.81%
Great Logistics	Interest in controlled corporation[1]; interest in family member[2]/Long position	310,472,000[3]	74.81%
Grand Wing Investments Limited (“Grand WIng”)	Interest in controlled corporation[1]; interest in family member[2]/Long position	276,168,000[3]	66.55%
Intelligent Pro Investments Limited (“Intelligent Pro”)	Interest in controlled corporation[1]; interest in family member[2]/Long position	276,168,000[3]	66.55%
Jade Isle Global Limited (“Jade Isle”)	Interest in controlled corporation[1]; interest in family member[2]/Long position	276,168,000[3]	66.55%
Kaiyuan	Beneficial interest/Long position	276,168,000[3]	66.55%

REPORT OF THE DIRECTORS

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Prestige Choice Investments (Overseas) Limited ("Prestige Choice Overseas")	Interest in controlled corporation(1); interest in family member(2)/Long position	276,168,000(3)	66.55%
Tai Fung Bank Limited ("Tai Fung")	Held a security interest over the shares(4)/Long position	310,472,000(3)	60.35%
Bank of China Limited* (中國銀行股份有限公司)	Interest in controlled corporation(5)/ Long position	310,472,000(3)	60.35%
Central Huijin Investment Limited ("Central Huijin")	Interest in controlled corporation(6)/ Long position	310,472,000(3)	60.35%

* English translation of names in Chinese which is marked with "*" in this report is for identification purpose only.

Notes:

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

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

(3) On June 10, 2021 Kaiyuan and Great Logistics together signed an agreement to pledge a total of 310,472,000 shares of the Company (approximately 74.81% of the issued share capital of the Company) to Tai Fung Bank Limited as security for certain loan facilities provided by Tai Fung Bank Limited to Kaiyuan. As at December 31, 2021, based on the disclosure of interest forms filed by Central Huijin Investments Limited; Tai Fung Bank Limited and Bank of China Limited* (中國銀行股份有限公司) on June 10, 2021 and July 16, 2021, they are indirectly interested in 310,472,000 shares of the Company.

(4) On June 10, 2021 Kaiyuan and Great Logistics together signed an agreement to pledge a total of 310,472,000 shares of the Company (approximately 74.81% of the issued share capital of the Company) to Tai Fung Bank Limited. Based on the notice of disclosure of interest filed on June 10, 2021 and July 16, 2021, Tai Fung is a non wholly-owned subsidiary of Bank of China Limited* (中國銀行股份有限公司) is owned as to 50.31% by Bank of China Limited* (中國銀行股份有限公司). Tai Fung held a security interest over 310,472,000 shares of the Company.

(5) Tai Fung is a non wholly-owned subsidiary of Bank of China Limited* (中國銀行股份有限公司), as a result Bank of China Limited* (中國銀行股份有限公司) is deemed to be interested in the 310,472,000 shares of the Company under Part XV of the SFO.

(6) Based on the notice of disclosure of interest filed on June 10, 2021 and July 16, 2021, Bank of China Limited* (中國銀行股份有限公司) is a non wholly-owned subsidiary of Central Huijin, is owned as to 64.02% by Central Huijin. As a result Central Huijin is deemed to be interested in the 310,472,000 shares of the Company under Part XV of the SFO.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" section set out on pages 18 to 35 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. The Group's operations shall comply with relevant laws and regulations in the PRC and Hong Kong. During the year ended December 31, 2021 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong in all material respects.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2021.

AUDITOR

The consolidated financial statements for the year ended December 31, 2021 have been audited by Deloitte Touche Tohmatsu. A resolution for the reappointment of Deloitte Touche Tohmatsu as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Jiashili Group Limited
Huang Xianming
Chairman
Hong Kong, March 30, 2022

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Huang Xianming (黃銑銘), aged 50, is the chairman of our Company and was appointed as an executive Director of our Company on December 19, 2013. Mr. Huang became Controlling Shareholder and was appointed as chairman and chief executive officer of our Group in May 2007 and has been primarily responsible for overall operation and management, strategic planning and business development. Mr. Huang serves as the chairman of the board and a director of each of our subsidiaries. Since his acquisition of controlling stake in Guangdong Jiashili in May 2007, he has been focusing on the management and business development of our Group and had directed our business expansion from Guangdong province to other parts of China. Mr. Huang obtained a diploma of EMBA programme from Hong Kong International Business College (香港國際商學院) in January 2004. Mr. Huang is a vice chairman of the 4th Session of China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會第四屆理事會副理事長) and a vice chairman of the Federation of Industry and Commerce of Jiangmen (江門市工商業聯合會副主席). Mr. Huang was also elected the chairman of Kaiping Association of Food Industry (開平市食品行業協會) in May 2013.

Mr. Tan Chaojun (譚朝均), aged 55, is the vice chairman of our Company and was appointed as an executive Director on April 16, 2014. Mr. Tan joined the management of our Group in August 2008 and has been primarily responsible for overall management, strategic planning and business development. Since joining our Group, Mr. Tan has been overseeing the overall operation of our operative subsidiaries and held various management positions such as chief financial officer, executive director and legal representative. Prior to joining our Group, Mr. Tan worked at Bank of China from August 1988 to July 2008, holding positions of officer and business manager of Kaiping sub-branch and seconded to Kaiping Tanjiang Bandao Hotel (開平 潭江半島酒店), acting as the executive director and general manager. When working for Bank of China, Mr. Tan was recognised as economist and assistant accountant. Mr. Tan graduated from Electronic Engineering Department of Wuyi University (五邑大學) located in Guangdong, the PRC, majoring in computer application and obtained a diploma in July 1988 and completed a course in business administration at Sun Yat-sen University (中山大學) located in Guangzhou, the PRC in November 2003. Mr. Tan obtained the National Qualification of Senior Baking Worker (高級烘焙烘烤工國家職業資格) in July 2011. Mr. Tan was awarded as 2013 Guangdong Top Ten Professional Manager by the Professional Managers Association of Guangdong.

Mr. Chen Songhuan (陳松浣), age 54, joined the Group since June 2005 is currently the technical research director of Guangdong Jiashili Food Group Co., Limited (廣東嘉士利食品集團有限公司) responsible for product research and development. Mr. Chen was appointed as an executive Director on July 1, 2019. Mr. Chen is also the general manager of Dongguan Kamtai Foods Company Limited (東莞錦泰食品有限公司) responsible for overall production and administration. Prior to joining the Group, Mr. Chen worked at Jiashili Pastries (嘉士利餅業) and Guangdong Jiashili (廣東嘉士利) for 25 years, starting as a quality controller, and was promoted to senior management positions such as workshop manager, research and development officer and deputy general manager. Mr. Chen graduated from high school in 1986.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Liu Shouping, (劉守平) aged 50, joined the Group on July 5, 2021 is currently the general manager of Jiashili Group Limited responsible for the overall operation, management and development of the Company. Prior to joining the Company Mr. Liu worked at Guangzhou Restaurant Group Li Kou Fu Food Company Limited (廣州酒家集團利口福食品有限公司), a wholly-owned subsidiary of Guangzhou Restaurant Group Company Limited (廣州酒家集團股份有限公司), for eight years as general manager. Mr. Liu graduated from Shenyang Institute of Aeronautical Engineering (瀋陽航空工業學院) with a bachelor's degree in engineering major in manufacturing processes and equipment in July 1993. Mr. Liu has more than 20 years of executive management and administration experience in various enterprises.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Robert (甘廷仲) (alias 甘定滔), age 64, was appointed as an independent non-executive Director on August 21, 2014. Mr. Kam started his career with one of the international accounting firms and is currently a partner of a chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit services. Mr. Kam graduated with a bachelor of commerce degree from the University of Western Australia. Mr. Kam is a chartered accountant and a member of the Institute of Chartered Accountants in Australia and a Registered Auditor of the Australian Securities and Investments Commission. Mr. Kam is also a Justice of the Peace in the State of New South Wales in Australia. Mr. Kam has been an independent non-executive director of Vinda International Holdings Limited (stock code:3331), the shares of which are listed on the Main Board of the Stock Exchange, since June 2007 and he was resigned on March 31, 2018.

Ms. Ho Man Kay (何文琪), age 60, was appointed as an independent non-executive Director on August 21, 2014. Ms. Ho is a founding partner of Angela Ho & Associates. Prior to founding Angela Ho & Associates, she was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specialising in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho has been an independent non-executive director of China Shanshui Cement Group Limited (stock code:0691), the shares of which are listed on the Main Board of the Stock Exchange, since December 2015 and she was resigned on May 2018. Ms. Ho was the president of the Hong Kong Federation of Women Lawyers from 2002 to 2005.

Mr. Ma Xiaoqiang (馬曉強), aged 39, was appointed as an independent non-executive Director on January 16, 2017. Mr. Ma was graduated from Takada Junior College of Japan in 2004 majoring in information engineering. He was awarded a bachelor degree of operation science from Yokkaichi University of Japan in 2006 and a master degree of marketing from Mie University of Japan in 2008. Mr. Ma has over 9 years of work experience in international trading. Mr. Ma has been the chairman of Changjiang Trading Company Ltd. of Japan since 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

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

Mr. Liu Guowang (劉國旺), aged 53 is the marketing and sales director of the Group. Mr. Liu joined the Group in May 2008 as regional sales manager and has held current post since September 2019. Mr. Liu is responsible for formulating and implementing sales, marketing and promotion. Mr. Liu has around 30 years of sales experience working with companies in the consumable industry. Prior to joining the Group, Mr. Liu served at Harbin Fook Sing Food Company (哈爾濱福星食品公司) from October 2000 to April 2008 as sales manager. Prior to that, Mr. Liu worked at Heilongjiang Province Timber Main Company (黑龍江省木材總公司) as assistant sales manager from October 1990 to August 1999. Mr. Liu holds a technical secondary school diploma in material computing and information from Heilongjiang Province Material School (黑龍江省物資學校) in July 1990.

Mr. Xiong Yongqiang (熊永強), aged 49 joined the Group in 2014 is currently the supply chain director responsible for the management of the Group's supply chain process and overall management of Kai Ping factory. Prior to joining the Group Mr. Xiong worked at Guangdong Zhongchen Industrial Group Company Limited (廣東中晨實業集團有限公司) for four years. Mr. Xiong has around 30 years of executive management and administration experience in various enterprises.

Mr. Zhang Chaopeng (張超鵬), aged 53 is the director of the Group's capital and industry division responsible for the Group's overall treasury and financing function. Prior to joining the Group, Mr. Zhang has work in China Construction Bank for around 30 years. Mr. Zhang holds a junior college diploma in village and town enterprise management from South China Agricultural University (華南農業大學) in July 2003.

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended December 31				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,597,132**	1,518,545	1,593,067	1,449,288	1,174,977
Cost of sales	**(1,138,209)**	(1,007,557)	(1,054,202)	(987,323)	(818,574)
Gross profit	**458,923**	510,988	538,865	461,965	356,403
Other income	**39,990**	47,535	48,322	30,447	21,078
Selling and distribution expenses	**(216,351)**	(223,045)	(219,046)	(207,939)	(154,798)
Administrative expenses	**(78,354)**	(76,396)	(75,844)	(85,261)	(60,281)
Other expenses	**(69,113)**	(64,079)	(56,193)	(45,018)	(41,525)
Impairment losses (recognised) reversed under expected credit loss model, net	**(35,334)**	(820)	5,030	(12,404)	(93)
Other gains and losses	**82,486**	(409)	(69,738)	(3,190)	14,506
Share of results of associates	**(4,726)**	(1,910)	(2,535)	(162)	—
Share of results of a joint venture	**(6,680)**	(479)	(1,420)	(11,141)	(9)
Finance costs	**(30,972)**	(22,232)	(20,046)	(16,619)	(7,680)
Profit before tax	**139,869**	169,153	147,395	110,678	127,601
Income tax expense	**(31,564)**	(23,888)	(38,856)	(24,502)	(21,035)
Profit and total comprehensive income for the year	**108,305**	145,265	108,539	86,176	106,566
Profit and total comprehensive income for the year attributable to:					
Owners of the Company	**115,428**	142,669	109,584	86,479	106,566
Non-controlling interests	**(7,123)**	2,596	(1,045)	(303)	—
	108,305	145,265	108,539	86,176	106,566

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	As at December 31				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**2,093,415**	1,773,218	1,633,754	1,438,814	1,126,226
TOTAL LIABILITIES	**(1,111,587)**	(856,290)	(858,930)	(736,233)	(467,461)
TOTAL EQUITY	**981,828**	916,928	774,824	702,581	658,765

CASH FLOW SUMMARY

	As at December 31				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash provided from (used in)					
Operating activities	**101,654**	279,765	120,910	182,586	(2,692)
Investing activities	**(343,375)**	(113,105)	(26,000)	(205,517)	(144,053)
Financing activities	**135,149**	(108,717)	(42,812)	(19,256)	140,087
Net increase (decrease) in cash and cash equivalents	**(106,572)**	57,943	52,098	(42,187)	(6,658)

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Jiashili Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 170, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Occurrence of revenue from sales of biscuit and other products	
We identified occurrence of revenue from sales of biscuit and other products as a key audit matter due to its quantitative significance to the consolidated financial statements. The sales of biscuit and other products are recognised as revenue when the control of the goods has been transferred to the customers of the Group. The Group has recognised revenue from sales of biscuit and other products of approximately Renminbi ("RMB") 1,597 million for the year ended December 31, 2021. The accounting policy of revenue and details of revenue are set out in notes 3 and 5, respectively, to the consolidated financial statements.	Our procedures in relation to occurrence of revenue from sales of biscuit and other products included: • Understanding and testing the key controls relating to the revenue recognition for sales of biscuit and other products; • Understanding the revenue recognition policies of the Group and evaluating its revenue recognition is in accordance with IFRS 15 *Revenue from Contracts with Customers*; • Performing tests of details by tracing to invoices and delivery information, on a sample basis, to ensure the transactions are valid, accurate and recorded in proper period; • Verifying authenticity of invoices issued by the Group, on a sample basis; • Performing background search on major customers of the Group; and • Analysing the monthly revenue and assessing the reasonableness of management's explanations for any irregular fluctuations as identified by us.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of financial asset at fair value through profit or loss	
We identified the valuation of the financial asset at fair value through profit or loss ("FVTPL"), as a key audit matter as it is quantitative significant to the consolidated financial statements as a whole, combined with the significant estimates required in determining its fair value. As at December 31, 2021, the Group's financial asset at FVTPL represents its investment in an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥) Tsingtao Jia Hui Equity Investment Fund (Limited Partnership) ("Jia Hui LLP"), which was stated at fair value amounted to appropriately RMB104.2 million, and the fair value gain on the financial asset at FVTPL for the year then ended amounted to approximately RMB3,477,000. As set out in notes 4, 24 and 43(c) to the consolidated financial statements, the Group's financial asset at FVTPL was measured using the fair value model based on a valuation performed by an independent professional qualified valuer (the "Valuer"). In estimating the fair value of the Group's financial asset at FVTPL, the fair value of Jia Hui LLP was determined based on the asset based approach by subtracting the total liabilities of the unlisted equity investment fund from its total assets. The valuations are dependent on significant inputs that involve significant estimates, including fair value assessment of the underlying assets held by Jia Hui LLP.	Our procedures in relation to the valuation of financial asset at FVTPL included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Assessing, with the involvement of our internal valuation specialists, the methodology and the reasonableness of the key assumptions adopted in the valuation model; and • Recalculating the change in fair value by comparing prior period fair value to current period fair value.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lam, Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 30, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5 & 6	**1,597,132**	1,518,545
Cost of sales		**(1,138,209)**	(1,007,557)
Gross profit		**458,923**	510,988
Other income	7	**39,990**	47,535
Other gains and losses	8	**82,486**	(409)
Selling and distribution expenses		**(216,351)**	(223,045)
Administrative expenses		**(78,354)**	(76,396)
Other expenses	9	**(69,113)**	(64,079)
Impairment losses recognised under expected credit loss model, net	10	**(35,334)**	(820)
Share of results of associates		**(4,726)**	(1,910)
Share of results of a joint venture		**(6,680)**	(479)
Finance costs	11	**(30,972)**	(22,232)
Profit before tax		**139,869**	169,153
Income tax expense	12	**(31,564)**	(23,888)
Profit and total comprehensive income for the year	13	**108,305**	145,265
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**115,428**	142,669
Non-controlling interests		**(7,123)**	2,596
		108,305	145,265
Earnings per share	16		
— Basic and diluted (RMB cents)		**27.81**	34.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**490,849**	495,244
Right-of-use assets	18	**213,594**	98,034
Intangible assets	19	**37,486**	43,259
Goodwill	20	**27,449**	27,449
Interests in associates	21	**20,863**	25,624
Interest in a joint venture	22	**3,041**	9,721
Loans to a joint venture	23a	**172,023**	—
Loan to a non-controlling shareholder of a subsidiary	23b	**10,714**	18,000
Loans to an associate	23c	**5,667**	—
Loan receivables	27	**14,403**	—
Financial asset at fair value through profit or loss	24	**104,168**	100,691
Deferred tax assets	39	**1,845**	—
Other receivables and deposits	25	**2,102**	1,587
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		**12,520**	60,520
		1,116,724	880,129
CURRENT ASSETS			
Inventories	26	**104,793**	97,481
Trade, bills and other receivables	25	**180,988**	181,011
Loan receivables	27	**100,102**	47,575
Amounts due from associates	28	**44,353**	46,954
Amounts due from non-controlling shareholders of subsidiaries	29a	**11,531**	11,197
Amounts due from a joint venture	29b	**123,974**	—
Amount due from a related party	29c	**8**	6
Loans to a joint venture	23a	**—**	18,000
Loan to an associate	23c	**2,576**	—
Income tax recoverable		**3,588**	401
Pledged bank deposits	30	**21,044**	239
Bank balances and cash	30	**383,734**	490,225
		976,691	893,089

Consolidated Statement of Financial Position

At December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Trade, bills and other payables	31	371,306	310,592
Contract liabilities	32	59,350	131,101
Income tax payables		10,740	4,119
Bank borrowings	33	404,124	309,000
Amount due to a non-controlling shareholder of a subsidiary	34	1,123	4,567
Amount due to a related party	35	—	46
Amount due to a joint venture	36	—	23,660
Deferred income	37	1,891	1,804
Lease liabilities	38	33,414	3,410
		881,948	788,299
NET CURRENT ASSETS		94,743	104,790
TOTAL ASSETS LESS CURRENT LIABILITIES		1,211,467	984,919
NON-CURRENT LIABILITIES			
Deferred tax liabilities	39	10,694	11,062
Deferred income	37	49,224	53,886
Bank borrowings	33	116,014	—
Lease liabilities	38	53,707	3,043
		229,639	67,991
NET ASSETS		981,828	916,928

Consolidated Statement of Financial Position

At December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES			
Share capital	40	**3,285**	3,285
Reserves		**947,896**	884,167
Equity attributable to owners of the Company		**951,181**	887,452
Non-controlling interests		**30,647**	29,476
TOTAL EQUITY		**981,828**	916,928

The consolidated financial statements on pages 62 to 170 were approved and authorised for issue by the board of directors on March 30, 2022 and are signed on its behalf by:

HUANG XIANMING
DIRECTOR

TAN CHAOJUN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Share options reserve	Special reserve	Contribution reserve	Statutory reserves	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Note c)	RMB'000	RMB'000 (Note d)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	3,285	267,734	2,408	(107,000)	18,333	150,402	429,010	764,172	10,652	774,824
Profit and total comprehensive income for the year	–	–	–	–	–	–	142,669	142,669	2,596	145,265
Appropriations	–	–	–	–	–	24,309	(24,309)	–	–	–
Capital contributions from non-controlling shareholders of subsidiaries (note e)	–	–	–	–	–	–	–	–	17,059	17,059
Dividends recognised as distribution (note 15)	–	(18,587)	–	–	–	–	–	(18,587)	(1,633)	(20,220)
Equity transfer from non-controlling interest to the Group (note f)	–	–	–	–	–	–	(802)	(802)	802	–
Lapse of share options (note 41)	–	–	(2,408)	–	–	–	2,408	–	–	–
At December 31, 2020	3,285	249,147	–	(107,000)	18,333	174,711	548,976	887,452	29,476	916,928
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	–	–	115,428	115,428	(7,123)	108,305
Appropriations	–	–	–	–	–	28,875	(28,875)	–	–	–
Capital contributions from non-controlling shareholders of subsidiaries (note e)	–	–	–	–	–	–	–	–	9,769	9,769
Dividends recognised as distribution (note 15)	–	(51,699)	–	–	–	–	–	(51,699)	(1,475)	(53,174)
At December 31, 2021	3,285	197,448	–	(107,000)	18,333	203,586	635,529	951,181	30,647	981,828

Notes:

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

b. Amounts represent equity reserve arising from share-based compensations under share option schemes of the Group provided to employee, details are set out in note 41.

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

d. Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of the group subsidiaries established in the People's Republic of China (the "PRC"), which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB135,726,000(2020: RMB116,475,000) as at December 31, 2021 can be used to make up for previous years' losses or convert into additional capital of the relevant group subsidiaries. Discretionary surplus reserve amounting to approximately RMB67,860,000(2020: RMB58,236,000) as at December 31, 2021 can be used to expand the existing operations of the relevant subsidiaries.

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

   For the year ended December 31, 2020, the amount represents capital contributions from non-controlling shareholders of subsidiaries in form of plant and machinery of RMB2,475,000, intangible assets of RMB7,079,000 and cash contribution of RMB7,505,000.

f. Amount represents the transfer of the 10% equity interests of 廣東嘉士利黃皮產業發展有限公司 Guangdong Jiashili Huangpi Industry Development Co. Limited ("Guangdong Jiashili Huangpi"), a non-wholly owned subsidiary, from the non-controlling interests to the Group with nil consideration. In October 2020, the Group had deregistered Guangdong Jiashili Huangpi with no gain and loss was being recognised.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**139,869**	169,153
Adjustments for:			
Amortisation of intangible assets		**5,773**	5,479
Depreciation of property, plant and equipment		**50,354**	46,290
Depreciation of right-of-use assets		**11,307**	7,142
Fair value (gain) loss on financial asset at FVTPL		**(3,477)**	346
Finance costs		**30,972**	22,232
Reversal of impairment loss on prepayment		**(74,641)**	—
Interest income from prepayment		**(4,749)**	—
Impairment losses recognised under expected credit loss model, net		**35,334**	820
Impairment losses on inventories		**540**	—
Imputed interest income		**(100)**	(134)
Interest income		**(26,436)**	(27,038)
Gain on disposal of property, plant and equipment		**(58)**	(12)
Release of deferred income	37	**(5,876)**	(4,783)
Share of results of a joint venture		**6,680**	479
Share of results of associates		**4,726**	1,910
Unrealised exchange gain, net		**(47)**	(645)
Operating cash flows before movements in working capital		**170,171**	221,239
Increase in inventories		**(7,852)**	(24,766)
Decrease in trade, bills and other receivables		**81,867**	6,526
Decrease in amounts due from associates		**2,601**	505
Increase in amounts due from non-controlling shareholders of subsidiaries		**(9,276)**	(11,197)
Increase in amount due from a joint venture		**(66,817)**	—
(Increase) decrease in amount due from a related party		**(2)**	3
Decrease in amount due to a non-controlling shareholder of a subsidiary		**(3,444)**	(134)
Decrease in amount due to a related party		**(46)**	(2,824)
Increase in trade, bills and other payables		**60,206**	50,360
(Decrease) increase in amount due to a joint venture		**(23,660)**	23,660
(Decrease) increase in contract liabilities		**(71,751)**	48,368
Cash generated from operations		**131,997**	311,740
Income tax paid		**(30,343)**	(31,975)
NET CASH FROM OPERATING ACTIVITIES		**101,654**	279,765

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
New loan receivables advanced		**(98,300)**	(24,500)
Repayment of loan receivables		**24,812**	79,916
Placement of pledged bank deposits		**(21,005)**	(123,034)
Release of pledged bank deposits		**200**	174,800
Purchase of property, plant and equipment		**(46,613)**	(80,935)
Proceeds from disposal of property, plant and equipment		**712**	1,249
Purchases of intangible assets		**–**	(9)
Payments for right-for-use assets		**–**	(5,976)
Proceeds from disposal of right-of-use assets		**–**	4,379
Investment in an associate		**–**	(24,000)
Investment in a joint venture		**–**	(10,200)
Loan advance to a non-controlling shareholder of a subsidiary		**–**	(18,000)
Loan advance to a joint venture		**(162,600)**	(18,000)
Advance to a joint venture		**(60,000)**	–
Loan advance to an associate		**(16,000)**	–
Repayment of loans from a joint venture		**15,300**	–
Receipts of asset-related government grants	37	**1,301**	2,722
Refund of asset-related government grants	37	**–**	(31,235)
Interest received		**18,818**	27,038
Deposits paid for acquisition of property, plant and equipment and acquisition of right-of-use assets		**–**	(60,520)
Deferred consideration payable received from a non-controlling shareholder of subsidiaries for acquisition of subsidiaries		**–**	(6,800)
NET CASH USED IN INVESTING ACTIVITIES		**(343,375)**	(113,105)
FINANCING ACTIVITIES			
New bank borrowings raised		**743,000**	589,000
Repayment of bank borrowings		**(531,862)**	(658,159)
Dividends paid	15	**(51,699)**	(18,587)
Distribution to non-controlling shareholders		**(1,475)**	(1,633)
Interest paid on bank borrowings		**(24,811)**	(21,892)
Interest paid on lease liabilities		**(2,698)**	(340)
Repayments of lease liabilities		**(5,075)**	(4,611)
Capital contribution from a non-controlling shareholder of subsidiaries		**9,769**	7,505
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**135,149**	(108,717)

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS		(106,572)	57,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		490,225	432,113
Effect of foreign exchange rate changes		81	169
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Represented by bank balances and cash		383,734	490,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning after January 1, 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2.1 Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

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

2.1 Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (IAS 2 Inventories) *(continued)*

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after April 1, 2021.

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

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

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

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

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

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

Amendments to IFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in IFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC — Int 21 *Levies*, an acquirer applies IAS 37 or IFRIC — Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after January 1, 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date;

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

Based on the Group's outstanding liabilities as at December 31, 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

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

Upon the application of the amendments, the Group will recognise a deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB213,594,000 and RMB87,121,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

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

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

Amendments to IFRSs *Annual Improvements to IFRSs 2018–2020*

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

3.2 Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's 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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's interests in existing subsidiaries *(continued)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 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 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

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

3.2 Significant accounting policies *(continued)*

Business combinations *(continued)*

Business combinations *(continued)*

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Business combinations *(continued)*

Business combinations *(continued)*

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

Goodwill

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

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

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

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

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

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

3.2 Significant accounting policies *(continued)*

Investments in associates and joint ventures

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Investments in associates and joint ventures *(continued)*

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Revenue from contracts with customers

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

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

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

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Variable consideration

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

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

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

Leases

Definition of a lease

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

Definition of a lease *(continued)*

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- 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.

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Right-of-use assets *(continued)*

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities *(continued)*

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

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

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

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

Lease modifications

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

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

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

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

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

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessor

Classification and measurement of leases

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

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

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

Refundable rental deposits

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

Foreign currencies

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

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

Borrowing costs

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Share-based payments

Equity-settled share-based payments transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(continued)*

Property, plant and equipment

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position.

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

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

Intangible assets

Intangible assets acquired separately

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Intangible assets *(continued)*

Internally-generated intangible assets — research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

3.2 Significant accounting policies *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination *(continued)*

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

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

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

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

Inventories

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

Financial instruments

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

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

A financial asset is held for trading if:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

Impairment of financial assets

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

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

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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

(i) Significant increase in credit risk

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

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

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

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 December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

(v) Measurement and recognition of ECL

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

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

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

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

- Past-due status; and

- Nature, size and industry of debtors;

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Key sources of estimation uncertainty

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

Fair value measurement and valuation process of financial asset at FVTPL

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

For the years ended December 31, 2021 and 2020, as there is limited operation in the investments of the unlisted equity investment fund, the fair value of the Group's financial asset at FVTPL was determined based on the asset based approach by subtracting the total liabilities of the unlisted equity investment fund from its total assets. The carrying amount of the unlisted equity investment fund as at December 31, 2021 was RMB104,168,000 (2020: RMB100,691,000) with fair value gain recognised in profit or loss of RMB3,477,000 (2020: fair value loss of RMB346,000) for the year then ended.

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

The information about the fair value measurement of the unlisted equity investment fund is set out in note 43(c).

Impairment loss under ECL model on financial assets at amortised cost

The Group's financial assets at amortised cost include trade, bills and other receivables, loan receivables, amounts due from associates, non-controlling shareholders of subsidiaries, a joint venture and a related party, loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate, pledged bank deposits and bank balances. For the years ended December 31, 2021 and 2020, the Group assesses internal credit rating for these financial assets respectively and then uses 12m ECL or lifetime ECL model to estimate ECL.

Notwithstanding that the management of the Group estimates ECL based on the information acquired at the years ended December 31, 2021 and 2020, the ECL of these financial assets may be higher or lower depending on the future settlement of these financial assets.

The information about the impairment loss under ECL model on financial assets at amortised cost is set out in note 43(b).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

Sales channels

	2021 RMB'000	2020 RMB'000
Distributors	1,595,576	1,516,382
Supermarkets	1,556	2,163
	1,597,132	1,518,545

(ii) Performance obligations for contracts with customers

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

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

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

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

5. REVENUE *(continued)*

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2021 and 2020 and the expected timing of recognising revenue are as follows:

Sales of biscuit and other products

	2021 **RMB'000**	2020 RMB'000
Within one year	**59,350**	131,101

6. SEGMENT INFORMATION

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

2021

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

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

2020

	Biscuit products RMB'000	Others RMB'000	Total RMB'000
Revenue	1,476,834	41,711	1,518,545
Segment results	498,981	12,007	510,988
Other income			47,535
Other gains and losses			(409)
Selling and distribution expenses			(223,045)
Administrative expenses			(76,396)
Other expenses			(64,079)
Impairment losses recognised under expected credit loss model, net			(820)
Share of results of associates			(1,910)
Share of results of a joint venture			(479)
Finance costs			(22,232)
Profit before tax			169,153

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

Segment assets and liabilities

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

6. SEGMENT INFORMATION *(continued)*

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2021

	Biscuit products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	**39,090**	**437**	**10,827**	**50,354**
Amortisation of intangible assets	**5,092**	**681**	**—**	**5,773**
Depreciation of right-of-use assets	**9,549**	**827**	**931**	**11,307**

Year ended December 31, 2020

	Biscuit products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	35,516	157	10,617	46,290
Amortisation of intangible assets	5,066	413	—	5,479
Depreciation of right-of-use assets	6,096	551	495	7,142

6. SEGMENT INFORMATION *(continued)*

Revenue from major products

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

	2021 RMB'000	2020 RMB'000
Revenue by products		
Breakfast biscuits	342,816	363,862
Crisp biscuits	277,227	253,411
Sandwich biscuits	463,370	410,039
Wafers	157,897	162,258
Coarse grain biscuits	103,858	111,429
Other biscuits	182,342	175,835
Others (note)	69,622	41,711
	1,597,132	1,518,545
Gross profit by products		
Breakfast biscuits	90,314	108,535
Crisp biscuits	74,086	76,439
Sandwich biscuits	162,393	154,904
Wafers	49,319	56,507
Coarse grain biscuits	30,937	39,780
Other biscuits	44,391	62,816
Others (note)	7,483	12,007
	458,923	510,988

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

6. SEGMENT INFORMATION *(continued)*

Geographical information

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

	Revenue from external customers		Non-current assets (note a)	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**1,594,800**	1,516,149	**781,898**	724,506
Others (note b)	**2,332**	2,396	**—**	—
	1,597,132	1,518,545	**781,898**	724,506

Notes:

(a) Non-current assets represent property, plant and equipment, right-of-use assets, intangible assets, goodwill and deposit paid for acquisition of right-of-use assets and property, plant and equipment.

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

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

7. OTHER INCOME

	2021	2020
	RMB'000	RMB'000
Government grants (note 37)	**9,983**	12,701
Interest income on:		
— bank balances and deposits	**8,913**	13,284
— loan receivables (note 27)	**7,829**	12,914
— loans to a joint venture	**8,340**	—
— loan to a non-controlling shareholder of a subsidiary	**1,354**	840
Sales of packaging materials	**2,146**	1,308
Rental income	**1,268**	1,071
Other income related to early termination of property development cooperative project (note)	**—**	5,283
Others	**157**	134
	39,990	47,535

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

7. OTHER INCOME *(continued)*

Note: On August 2, 2019, the Group has entered into a memorandum of understanding with Guangdong Huasheng Yanshi Group Co., Limited.* 廣東華盛裍氏集團有限公司 ("Guangdong Huasheng"), an independent third party, and received an advance payment of RMB5,283,000 for a property development cooperative project. The advance payment is unsecured, non-interest bearing and has no fixed repayment terms. Pursuant to the memorandum of understanding, the Group agreed to contribute the land located in Yunan, Guangdong province, the PRC held by Guangdong Jiashili Huangpi and Guangdong Huasheng agreed to contribute cash to set a newly cooperative project company. The percentage of the equity interest in the cooperative project company will be based on the value of the land contributed by the Group and the cash consideration injected by Guangdong Huasheng. During the year ended December 31, 2020, the property development cooperative project was terminated by mutual agreement and the Group is not required to refund the receipt in advance to Guangdong Huasheng. The advance payment received was recognised as other income.

* English name for identification purpose only.

8. OTHER GAINS AND LOSSES

	2021 **RMB'000**	2020 RMB'000
Reversal of impairment loss on prepayment (note)	**74,641**	—
Interest income from prepayment (note)	**4,749**	—
Allowance on inventories	**(540)**	—
Fair value gain (loss) on financial asset at FVTPL	**3,477**	(346)
Net foreign exchange gains (losses)	**101**	(75)
Gain on disposal of property, plant and equipment	**58**	12
	82,486	(409)

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

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

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

9. OTHER EXPENSES

	2021 RMB'000	2020 RMB'000
Research expenses	**64,712**	59,863
Donation expenses	**2,788**	3,217
Other non-operating expenses	**1,613**	999
	69,113	64,079

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

	2021 RMB'000	2020 RMB'000
Impairment losses recognised, net of reversal		
— loan receivables	**6,558**	(5,710)
— loan to a non-controlling shareholder of a subsidiary	**7,286**	—
— loans to an associate	**7,757**	—
— loan to a joint venture	**652**	—
— amount due from a non-controlling shareholder of a subsidiary	**10,823**	—
— amount due from a joint venture	**2,556**	—
— trade receivables	**(2,948)**	4,980
— other receivables	**2,650**	1,550
	35,334	820

Details of impairment assessment are set out in note 43(b).

11. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses on		
— bank borrowings	**24,811**	21,892
— lease liabilities	**6,161**	340
	30,972	22,232

Notes to the Consolidated Financial Statements

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12. INCOME TAX EXPENSE

	2021 **RMB'000**	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")		
— Current tax	**13,441**	26,085
— Underprovision (overprovision) in prior years	**2,717**	(3,125)
— PRC withholding tax	**17,619**	2,311
	33,777	25,271
Deferred tax (note 39):	**(2,213)**	(1,383)
	31,564	23,888

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

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

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

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

The Company's subsidiaries that are PRC tax resident are required to withhold the PRC withholding EIT of 10% on dividend payment to their non-PRC resident immediate holding company, unless such dividend payment is qualified for the 5% reduced tax rate under the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "PRC-HK DTA").

Jiashili (Hong Kong) Limited ("Jiashili HK") was qualified as a Hong Kong tax resident. Jiashili HK has obtained the Hong Kong resident certificate for the calendar year 2018 and was valid for three years ended December 31, 2020. The directors of the Company consider that it is unlikely to renew the certificate before the date of tax filing. As such, Jiashili HK enjoys a reduced tax rate under Bulletin [2018] No. 9 (國家税務總局公告2018年第9號) (e.g. beneficial ownership, shareholding percentage and holding period) of withholding EIT rate of 5% on dividend income only for the year ended December 31, 2020, pursuant to the PRC-HK DTA.

* English name for identification purpose only.

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For the year ended December 31, 2021

12. INCOME TAX EXPENSE *(continued)*

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

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**139,869**	169,153
Tax at PRC Tax rate of 25% (2020: 25%)	**34,967**	42,288
Tax effect on concessionary tax rate	**(4,710)**	(10,636)
Tax effect on concessionary policy on research and development expenses (note)	**(14,513)**	(10,790)
Tax effect of expenses not deductible for tax purpose	**2,440**	4,434
Tax effect of deductible temporary differences not recognised	**6,298**	1,367
Tax effect of tax losses not recognised	**4,040**	2,057
Utilisation of tax losses previously not recognised	**(554)**	(1,409)
Utilisation of deductible temporary differences previously not recognised	**(19,592)**	(3,206)
Tax effect on share of results of a joint venture	**1,670**	120
Tax effect on share of results of associates	**1,182**	477
Tax effect of withholding tax on distributed profits of the PRC subsidiaries	**13,967**	—
Tax effect of withholding tax on undistributed profits of the PRC subsidiaries	**3,652**	2,311
Underprovision (overprovision) in prior years	**2,717**	(3,125)
Income tax expense recognised in profit or loss	**31,564**	23,888

Note: It represents additional 100% (2020: 75%) tax deduction in respect of qualifying research and development expenses incurred for the year.

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For the year ended December 31, 2021

13. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's remuneration (note 14)	3,367	3,073
Other employee benefits expenses:		
Salaries and allowances	217,296	199,134
Contributions to retirement benefits scheme (note)	22,032	12,648
Total employee benefits expenses	242,695	214,855
Depreciation of property, plant and equipment	50,354	46,290
Depreciation of right-of-use assets	11,307	7,142
Amortisation of intangible assets (included in cost of sales)	5,773	5,479
Total depreciation and amortisation	67,434	58,911
Auditors' remuneration	2,119	2,459
Cost of inventories recognised as expenses with allowance of RMB540,000 (2020: nil) recognised	1,138,749	1,007,557

Note: During the year ended December 31, 2020, due to the outbreak of COVID-19, the PRC government relieved 50% of the social insurance for certain Group's entities from February 2020 to December 2020.

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

Directors' and chief executive's emoluments

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

	2021 RMB'000	2020 RMB'000
Director's fee	969	936
Salaries and allowances	2,386	2,130
Contributions to retirement benefits scheme	12	7
	3,367	3,073

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

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

Year ended December 31, 2021

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

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

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

Year ended December 31, 2020

	Director's fee RMB'000	Salaries and allowances, and benefit in kind RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Total RMB'000
Executive Directors (Note a)					
Mr. Huang Xianming 黃銑銘 *(Chairman)*	156	930	–	1	1,087
Mr. Tan Chaojun 譚朝均 *(Vice chairman and chief executive officer)*	156	678	–	1	835
Mr. Chen Songhuan 陳松浣	156	522	–	5	683
Non-executive Director					
Mr. Lin Xiao 林曉	–	–	–	–	–
Independent Non-executive Directors (Note b)					
Mr. Kam Robert 甘廷仲	156	–	–	–	156
Ms. Ho Man Kay 何文琪	156	–	–	–	156
Mr. Ma Xiao Qiang 馬曉強	156	–	–	–	156
	936	2,130	–	7	3,073

Notes:

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

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

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

Performance related bonus for the years ended December 31, 2021 and 2020 were determined by the management having regard to the performance of the directors of the Company and the Group's results from operation. There is no performance related bonus provided to directors' and chief executives in both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

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

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

For the years ended December 31, 2021 and 2020, none of the directors of the Company has waived or agreed to waive any emoluments.

* English name for identification purpose only.

Employees' remuneration

The five highest paid individuals included four (2020: three) directors for the year ended December 31, 2021. The emoluments of the remaining one (2020: two) individuals for the year ended December 31, 2021, are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and allowances	459	960
Contributions to retirement benefits scheme	5	10
	464	970

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

	No. of individuals 2021	 2020
Nil to HK$1,000,000 (equivalent to nil to RMB829,000) (2020: equivalent to nil to RMB842,000)	3	4
HK$1,000,001 to HK$1,500,000 (equivalent to more than RMB829,000 to RMB1,244,000) (2020: equivalent to more than RMB842,000 to RMB1,263,000)	2	1

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

15. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim — HK10 cents (2020: 2020 Interim — nil cents) per share	34,433	—
2020 Final — HK5 cents (2020: 2019 Final — HK5 cents) per share	17,266	18,587
	51,699	18,587

Subsequent to the end of the reporting period, final dividend of HK5 cents (2020: HK5 cents) per share, amounting to approximately HK$20,750,000 (equivalent to approximately RMB16,965,000) (2020: approximately HK$20,750,000 (equivalent to approximately RMB17,585,000)), has been proposed by the directors of the Company and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

16. EARNINGS PER SHARE

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	115,428	142,669

	2021 '000	2020 '000
Number of shares		
Number of ordinary shares for the purposes of basic and diluted earnings per share (note)	415,000	415,000

Note: The computation of diluted earnings per share for the year ended December 31, 2020 does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for 2020. All the share options were lapsed during the year ended December 31, 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2020	270,194	31,383	296,077	37,154	18,466	5,031	658,305
Additions	–	–	1,826	1,740	662	76,707	80,935
Contribution from non-controlling interest as capital	–	–	2,475	–	–	–	2,475
Transfer	844	–	11,265	477	–	(12,586)	–
Disposals	–	–	(4,015)	(891)	–	–	(4,906)
At December 31, 2020	271,038	31,383	307,628	38,480	19,128	69,152	736,809
Additions	2,116	–	3,183	235	256	40,823	46,613
Transfer	21,355	–	68,360	11,011	59	(100,785)	–
Disposals	–	–	(10)	(1,249)	–	–	(1,259)
At December 31, 2021	294,509	31,383	379,161	48,477	19,443	9,190	782,163
ACCUMULATED DEPRECIATION							
At January 1, 2020	54,732	7,495	100,068	26,600	10,049	–	198,944
Provided for the year	14,383	4,963	18,748	4,918	3,278	–	46,290
Eliminated on disposals	–	–	(3,063)	(606)	–	–	(3,669)
At December 31, 2020	69,115	12,458	115,753	30,912	13,327	–	241,565
Provided for the year	15,173	4,963	21,614	5,709	2,895	–	50,354
Eliminated on disposals	–	–	(5)	(600)	–	–	(605)
At December 31, 2021	84,288	17,421	137,362	36,021	16,222	–	291,314
CARRYING VALUES							
At December 31, 2021	210,221	13,962	241,799	12,456	3,221	9,190	490,849
At December 31, 2020	201,923	18,925	191,875	7,568	5,801	69,152	495,244

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

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

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

18. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
As at December 31, 2021			
Carrying amount	**84,436**	**129,158**	**213,594**
As at December 31, 2020			
Carrying amount	**86,676**	**11,358**	**98,034**
For the year ended December 31, 2021			
Depreciation charge	**2,240**	**9,067**	**11,307**
For the year ended December 31, 2020			
Depreciation charge	**2,277**	**4,865**	**7,142**

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**1,018**	1,399
Total cash outflow for leases	**8,791**	6,350
Additions to right-of-use assets	**126,867**	10,907

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

For both years, the Group leases various factory buildings, offices premises and motor vehicle for its operation. Lease contracts are entered into for fixed term of 1 year to 50 years with fixed payment. The Group does not have the option to purchase the leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options which are solely at the Group's discretion. The Group's obligations are secured by the rental deposits for such leases.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. Except that the land use right which is located in Hunan Province with a carrying amount RMB70,676,000 has not been obtained, the Group is the registered owner of these property interests, including the underlying leasehold lands. Leasehold lands are entered into for fixed term of 30 to 50 years with fixed payment. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for office premises and motor vehicle. As at December 31, 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

Details of the lease maturity analysis of lease liabilities are set out in notes 38 and 43(b).

Notes to the Consolidated Financial Statements

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19. INTANGIBLE ASSETS

	Trademarks RMB'000
COST	
At January 1, 2020	55,558
Additions	9
Contribution from non-controlling interest as capital	7,079
At December 31, 2020 and December 31, 2021	62,646
AMORTISATION	
At January 1, 2020	13,908
Charge for the year	5,479
At December 31, 2020	19,387
Charge for the year	5,773
At December 31, 2021	25,160
CARRYING VALUES	
At December 31, 2021	37,486
At December 31, 2020	43,259

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

20. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES

The goodwill was acquired in the business combination of Dongguan Kamtai Foods Co. Limited* 東莞錦泰食品有限公司 ("Kamtai") and Silang Foods (Huaibei) Co. Limited* 思朗食品(淮北)有限公司 ("Silang") during the year ended December 31, 2018. During the year ended December 31, 2020, the business of Kamtai and Silang has integrated into the Group's various biscuit cash-generating units ("CGUs") and this resulted in a change in the cash generating units. The Group reallocated the goodwill attributable to Kamtai and Silang to the CGUs using a relative fair value approach. In addition, the Group completed an assessment of any potential goodwill impairment for all cash-generating units immediately prior to the reallocation. The Group concluded that no impairment as at the date immediate before the reallocation and so at December 31, 2021 and 2020 is identified.

* English name for identification purpose only.

20. IMPAIRMENT TESTING ON GOODWILL WITH INDEFINITE USEFUL LIVES

(continued)

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

	2021 RMB'000	2020 RMB'000
Crisp biscuits CGU	1,535	1,535
Sandwich biscuits CGU	3,106	3,106
Wafers CGU	988	988
Coarse grain biscuits CGU	21,799	21,799
Other biscuits CGU	21	21
	27,449	27,449

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

The recoverable amounts of the above CGUs were determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by the management of the Group covering a 3-year (2020: 5-year) period.

	2021				2020			
	Crisp biscuits CGU	Sandwich biscuits CGU	Wafers CGU	Coarse grain biscuits CGU	Crisp biscuits CGU	Sandwich biscuits CGU	Wafers CGU	Coarse grain biscuits CGU
Pre-tax discount rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Long-term growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

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

Cash flows beyond the 3-year (2020: 5-year) period are extrapolated using the estimated growth rates stated above. These growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGUs' past performance and management's expectations for the market development.

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

During the year ended December 31, 2021 and 2020, management of the Group determines that there is no impairment on the CGUs. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each of the CGU to exceed the aggregate recoverable amount of each of the CGU.

21. INTERESTS IN ASSOCIATES

	2021 **RMB'000**	2020 RMB'000
Cost of investments in associates — unlisted	**30,282**	30,282
Share of post-acquisition results of associates	**(9,333)**	(4,607)
Exchange adjustments	**(86)**	(51)
	20,863	25,624

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

Name of associate	**Place of incorporation/ establishment/ principal place of business**	**Proportion of ownership interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activity**
		2021	2020	**2021**	2020	
Hong Kong Ruishiyue (International) Food Co., Limited 香港瑞士樂(國際)食品有限公司 ("Hong Kong Ruishiyue") (Note a)	Hong Kong	**5%**	5%	**50%**	50%	Investment holding and sale of candy and biscuits
Kaiping Jiarun Investment Co., Limited* 開平市嘉潤投資有限公司 ("Kaiping Jiarun") (Note b)	The PRC	**45%**	45%	**45%**	45%	Investment holding and sale of soy milk products

Notes:

(a) The board of directors composition of Hong Kong Ruishiyue comprised of four directors, in which two of the directors are appointed by the Group and the remaining two directors are appointed by each of the other two independent shareholders. The resolution of the board of directors of Hong Kong Ruishiyue requires approval by simple majority. As such, the Group can exercise significant influence in deciding Hong Kong Ruishiyue's financial or operating policies and accordingly the Group accounts for its interest in Hong Kong Ruishiyue as an associate. Hong Kong Ruishiyue has a wholly foreign-owned subsidiary, namely 廣東瑞士樂食品有限公司 Guangdong Ruishiyue Food Co., Limited* ("Guangdong Ruishiyue"), in the PRC, which is principally engaged in manufacturing and selling of candy and biscuits.

21. INTERESTS IN ASSOCIATES *(continued)*

Notes: *(continued)*

(b) Pursuant to the Articles of Association of Kaiping Jiarun, Kaiping Jiarun has a total registered capital of RMB68 million, of which RMB30.6 million shall be contributed by the Group and the remaining RMB37.4 million shall be contributed by the other shareholder. As at December 31, 2021, the paid-in capital of Kaiing Jiarun is RMB50 million (2020: RMB50 million), of which RMB29 million (2020: RMB29 million) has been contributed by the Group, with the remaining RMB21 million (2020: RMB21 million) has been contributed by the other shareholder.

The board composition of Kaiping Jiarun consists of three directors, in which one of the directors are being appointed by the Group and the remaining two directors are being appointed by the other shareholder of Kaiping Jiarun. The resolution of the board of directors of Kaiping Jiarun requires approval by simple majority. As such, the Group can exercise significant influence in deciding Kaiping Jiarun's financial or operating policies and accordingly, the Group accounts for its interest in Kaiping Jiarun as an associate.

* English name for identification purpose only.

Summarised financial information of material associate

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

Kaiping Jiarun

	2021 **RMB'000**	2020 RMB'000
Current assets	**48,795**	41,612
Non-current assets	**2,604**	11,042
Current liabilities	**(10,904)**	(13,036)
Non-current liabilities	**(11,000)**	—
Revenue	**21,010**	19,963
Loss and total comprehensive expense for the year	**(10,123)**	(4,022)
Loss and total comprehensive expense for the year attributable to:		
Owners of Kaiping Jiarun	**(10,123)**	(2,368)
Non-controlling interests of Kaiping Jiarun	**—**	(1,654)
	(10,123)	(4,022)

Notes to the Consolidated Financial Statements

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21. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associate *(continued)*

Kaiping Jiarun *(continued)*

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

	2021 RMB'000	2020 RMB'000
Net assets of Kaiping Jiarun	29,495	39,618
Proportion of the Group's ownership interest in Kaiping Jiarun Group	45%	45%
The Group's share of net assets of Kaiping Jiarun	13,273	17,828
Adjustment for unpaid registered capital by shareholders	6,500	6,500
Carrying amount of the Group's interest in Kaiping Jiarun Group	19,773	24,328

22. INTEREST IN A JOINT VENTURE

	2021 RMB'000	2020 RMB'000
Cost of investment in a joint venture	10,200	10,200
Share of post-acquisition results of a joint venture	(7,159)	(479)
	3,041	9,721

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

Name of joint venture	Place of establishment/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2021	2020	2021	2020	
Fengjia (Note)	The PRC	51%	51%	50%	50%	Manufacture and sale of flour

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

* English name for identification purpose only.

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

Summarised financial information of a material joint venture

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

Fengjia

	2021 **RMB'000**	2020 RMB'000
Current assets	**83,476**	61,012
Non-current assets	**221,868**	—
Current liabilities (note)	**(126,706)**	(41,952)
Non-current liabilities (note)	**(172,675)**	—

Note: Current liabilities mainly includes advance from the Group of RMB60,000,000 and purchases prepayment from the Group of RMB66,530,000 (2020: nil). Non-current liabilities includes loans advance from the Group of RMB165,300,000 (2020: RMB18,000,000) and accrued interest of the Group of RMB7,375,000. Details are disclosed in notes 23(a) and 29(b).

	2021 **RMB'000**	May 15, 2020 to December 31, 2020 RMB'000
Revenue	**161,885**	37,326
Loss and total comprehensive expense for the period	**(13,097)**	(939)
Share of loss of a joint venture	**(6,680)**	(479)

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

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

Fengjia *(continued)*

The above loss for the period includes the followings:

	2021 RMB'000	May 15, 2020 to December 31, 2020 RMB'000
Interest income	41	36
Interest expense	(8,723)	–

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

	2021 RMB'000	2020 RMB'000
Net assets of Fengjia	5,963	19,060
Proportion of the Group's ownership interest in Fengjia	51%	51%
Carrying amount of the Group's interest in Fengjia	3,041	9,721

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

(a) Loans to a joint venture

The amounts represent loans advanced to Fengjia, a joint venture, with an aggregated principal value of RMB165,300,000 (2020: RMB18,000,000) and accrued interest of RMB7,375,000 (2020: nil). During the year ended December 31, 2021, an impairment loss under ECL model of RMB652,000 (2020: nil) was recognised in the profit or loss for the loans to a joint venture. The loan amount of RMB150,000,000 is non-trade in nature, secured by 100% interest of Kailan, the wholly-owned subsidiary of Fengjia, and interest bearing at 5% (2020: nil) per annum. The remaining amount of RMB15,300,000 is non-trade in nature, unsecured and interest bearing at 5% per annum. Subsequent to the year ended December 31, 2021, the Group extended the repayment term of the loans, including the accrued interest, with Fengjia to December 31, 2023. The Group expects the loans would be recovered more than one year, therefore, the amounts are classified as non-current.

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

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

The amount represents a loan advanced to a non-controlling shareholder of a subsidiary, with aggregated principal value of RMB18,000,000 (2020: RMB18,000,000). During the year ended December 31, 2021, an impairment loss under ECL model of RMB7,286,000 (2020: nil) was recognised in the profit or loss for the loan to a non-controlling shareholder of a subsidiary. The amount is non-trade in nature, secured with the non-controlling shareholder's equity interests in the subsidiary, 60% interest of the non-controlling shareholder and 5.17% equity interest of an entity in the PRC, and interest bearing at 8% per annum. The amount is repayable in 2023 and therefore classified as non-current.

(c) Loans to an associate

The amounts represent loans advanced to an associate, with aggregated principal value of RMB16,000,000 (2020: nil). During the year ended December 31, 2021, an impairment loss under ECL model of RMB7,757,000 (2020: nil) was recognised in the profit or loss for the loans to an associate. The amounts are non-trade in nature, non-interest bearing and guaranteed by the directors of the associate. The amount of RMB5,000,000 is repayable in 2022 and therefore classified as current. The remaining amount of RMB11,000,000 is repayable in 2023 and therefore classified as non-current.

Details of impairment assessment subject to ECL model are disclosed in the note 43(b).

24. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into a limited partnership agreement for setting up an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥) Tsingtao Jia Hui Equity Investment Fund (Limited Partnership) ("Jia Hui LLP"), with three independent third parties. Pursuant to the limited partnership agreement, RMB103,500,000 is to be contributed by the Group as a limited partner. As at December 31, 2021 and 2020, the unlisted equity investment fund is classified as non-current asset, of which Jia Hui LLP consists of three years term to maturity with two extension options for additional one year term each. As at December 31, 2021, the Group estimates the term of Jia Hui LLP would extent additional one year at least. Management of the Jia Hui LLP shall vest exclusively to the general partner of Jia Hui LLP ("GP"). Limited partners of Jia Hui LLP ("LPs") shall have the exclusive authority to monitor and oversight the behavior of the GP and they shall not involve in the daily operation and are not allowed to act on behalf of the Jia Hui LLP externally. Jia Hui LLP is accounted for as a financial asset at FVTPL. As at December 31, 2021, the fair value of Jia Hui LLP is amounting to RMB104,168,000 (2020: RMB100,691,000) with a fair value gain recognised in profit or loss of RMB3,477,000 for the year ended December 31, 2021 (2020: a fair value loss of RMB346,000).

The fair value of the Group's unlisted equity investment fund at December 31, 2021 and 2020 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited ("Asset Appraisal"), an independent qualified professional valuer not connected with the Group. Asset Appraisal is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience.

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 43(c).

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

	2021 RMB'000	2020 RMB'000
Trade and bills receivables	**24,455**	28,267
Less: allowance for ECL	**(3,182)**	(7,272)
Total trade and bills receivables, net	**21,273**	20,995
Prepayments for purchase of raw materials (note a)	**74,108**	89,125
Other receivables, net of allowance (note b)	**30,178**	15,307
Other prepayments (note c)	**55,598**	56,035
Rental and utility deposits	**1,933**	1,136
	183,090	182,598
Less: Amount shown under current assets	**(180,988)**	(181,011)
Amount shown under non-current assets as other receivables and deposits (note d)	**2,102**	1,587

Trade and bills receivables

As at January 1, 2020, trade and bills receivables amount to RMB27,008,000.

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

	2021 RMB'000	2020 RMB'000
Within 2 months	**14,626**	13,161
Over 2 months but within 3 months	**1,202**	3,294
Over 3 months but within 6 months	**2,980**	4,540
Over 6 months but within 1 year	**2,465**	—
	21,273	20,995

As at December 31, 2021, the Group consists of bills receivables amounting to RMB8,471,000 (2020: RMB5,533,000) with a maturity period of less than one year.

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

Trade and bills receivables *(continued)*

As at December 31, 2021, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB5,337,000 (2020: RMB9,910,000) which are past due as at the reporting date. Out of the past due balances, RMB3,027,000 (2020: RMB7,243,000) has been past due 90 days or more and are considered as in default.

All Group's trade and bills receivables does not hold any collateral.

Prepayments, other receivables and deposits

Notes:

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

(b) Other receivables net of allowance represent input tax to be certified, advances to staff and other miscellaneous deposits, which are unsecured, non-interest bearing and amounts of RMB170,000 (2020: RMB451,000) from advances to staff are repayable after one year and therefore classified as non-current.

The fair value of advances to staff are determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate on initial recognition. The imputed interest income on the advances to staff is RMB33,000 (2020: RMB50,000). The effective interest rate is 4.75% to 4.9% (2020: 4.75% to 4.9%) per annum.

During the year, the Group has provided an impairment loss of RMB2,650,000 (2020: RMB1,550,000) on other receivables.

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

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

Details of impairment assessment of trade, bills and other receivables are set out in note 43(b).

26. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Raw materials and packing materials	**73,278**	58,936
Work-in-progress	**2**	229
Finished goods	**31,513**	38,316
	104,793	97,481

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27. LOAN RECEIVABLES

	2021 RMB'000	2020 RMB'000
Fixed-rate loan receivables	**123,812**	50,324
Less: allowance for ECL	**(9,307)**	(2,749)
	114,505	47,575
Analysed as		
Current	**100,102**	47,575
Non-current	**14,403**	—
	114,505	47,575

The effective interest rate of the loan receivable is ranged from 6.0% to 18.0% (2020: 6.5% to 24.0%) per annum.

As at December 31, 2021, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB31,511,700 (2020: RMB45,324,000) which are past due 90 days or more. The directors of the Company consider credit risks have increased significantly and those past due more than 90 days are considered as credit-impaired.

As at December 31, 2021, the carrying amount of loan receivables amounting to RMB29,511,700 (2020: RMB43,324,000) are secured by collaterals such as land, retail stores, manufacturing plant and residential building (2020: land, retail stores, manufacturing plant and residential building). The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables. The Group has not recognised a loss allowance for the loan receivables as a result of these collaterals.

Included in the carrying amount of loan receivables as at December 31, 2021 is accumulated impairment losses of RMB9,307,000 (2020: RMB2,749,000).

27. LOAN RECEIVABLES *(continued)*

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

	2021 **RMB'000**	2020 RMB'000
Fixed-rate loan receivables		
Within one year	**107,512**	50,324
In more than one year but not more than two years	**11,000**	—
In more than two years but not more than five years	**5,300**	—
	123,812	50,324

Detail of impairment assessment of loan receivables are set out in note 43(b).

28. AMOUNTS DUE FROM ASSOCIATES

	2021 **RMB'000**	2020 RMB'000
Trade receivables	**293**	335
Prepayment for purchase of goods	**37,060**	39,619
Distribution deposit	**7,000**	7,000
	44,353	46,954

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

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

	2021 **RMB'000**	2020 RMB'000
Within 2 months	**275**	335
Over 6 months but within 1 year	**18**	—
	293	335

Details of impairment assessment of amounts due from associates are set out in note 43(b).

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

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

	2021 **RMB'000**	2020 RMB'000
Trade receivables	**20,414**	—
Interest receivables	**1,880**	—
Prepayment for purchase of goods	**—**	11,197
Other receivables	**60**	—
	22,354	11,197
Less: allowance for ECL	**(10,823)**	—
Amounts due from non-controlling shareholders of subsidiaries, net	**11,531**	11,197

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

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

	2021 **RMB'000**	2020 RMB'000
Over 3 months but within 6 months	**20,414**	—

(b) Amounts due from a joint venture

The amounts represent advance of RMB60,000,000 (2020: nil) and purchase prepayments of RMB66,530,000 (2020: nil). During the year ended December 31, 2021, an impairment loss under ECL model of RMB2,556,000 (2020: nil) was recognised in the profit or loss for the amounts due from a joint venture. The amount is unsecured, non-interest bearing and repayable on demand. The amounts will be repaid or utilised to set off the Group's future purchase from the associates within one year.

(c) Amount due from a related party

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

Details of impairment assessment of amounts due from non-controlling shareholders of subsidiaries, a joint venture and a related party are set out in note 43(b).

30. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of RMB21,044,000 (2020: RMB239,000) carry fixed interest rates ranged from 0.35% to 1.75% (2020: 0.35% to 1.55%) per annum at December 31, 2021. On January 17, 2021, the Group agreed to provide guarantee amount of RMB21,000,000 in favour of the Administrators for the due performance of Fengjia of its obligations in the bidding for the sale of 100% interest in Kailan. The deposit was settled on January 21, 2022. The remaining balance of pledged bank deposits represent deposits pledged to banks to secure the bills payables issued to suppliers of the Group for the purchase of raw materials.

Bank balances of RMB383,704,000 (2020: RMB490,198,000) carry interest at floating interest rates per annum as follows:

	Bank balances
At December 31, 2021	**0.03% — 1.32%**
At December 31, 2020	0.03% — 3.80%

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

	2021 **RMB'000**	2020 RMB'000
RMB	**398,062**	486,340
Hong Kong Dollars ("HK$")	**3,141**	1,725
US Dollars ("US$")	**3,575**	2,399
	404,778	490,464

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

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 43(b).

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31. TRADE, BILLS AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	152,867	124,432
Bills payables	97,100	62,327
Total trade and bills payables	249,967	186,759
Transportation fee payables	24,705	20,164
Payroll and welfare payables	36,168	32,736
Accrued expenses	38,629	49,595
Other payables	3,367	6,539
Other tax payables	18,470	14,799
	371,306	310,592

Trade and bills payables

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

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

	2021 RMB'000	2020 RMB'000
Within 3 months	152,177	124,104
Over 3 months but within 6 months	518	31
Over 6 months but within 1 year	52	221
Over 1 year	120	76
	152,867	124,432

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

Trade and bills payables *(continued)*

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

	2021 RMB'000	2020 RMB'000
Within 3 months	76,070	33,677
Over 3 months but within 6 months	21,030	18,250
Over 6 months but within 1 year	—	10,400
	97,100	62,327

Certain of the bills payables are secured by pledged bank deposits as disclosed in note 30.

32. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Sales of biscuit and other products	59,350	131,101

As at January 1, 2020, contract liabilities amount to RMB82,733,000.

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

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	131,101	82,733

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

Sales of biscuit and other products

The Group generally requires advance payment from majority of the customers before the delivery of goods.

The significant decrease (2020: increase) in contract liabilities in the current year was mainly due to the fact that the price of biscuit would be estimated to rise in early 2021, as a result of that, more sales orders were received from customers close to the last year end while the biscuit and other products were delivered to the distributors subsequently. When the Group receives an advance from customer before the goods delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

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33. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings — unsecured	**520,138**	309,000
The carrying amounts of the above bank borrrwings are repayable*:		
Within one year	**404,124**	309,000
Within a period of more than one year but not exceeding two years	**83,324**	—
Within a period of more than two years but not exceeding five years	**32,690**	—
	520,138	309,000
Less: amount due within one year shown under current liabilities	**(404,124)**	(309,000)
Amounts shown under non-current liabilities	**116,014**	—

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

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

	2021 RMB'000	2020 RMB'000
Fixed-rate bank borrowings	**314,100**	215,000
Variable-rate bank borrowings	**206,038**	94,000
	520,138	309,000

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

	2021	2020
Effective interest rate:		
Fixed-rate bank borrowings	**2.89% to 4.10%**	0.75% to 4.35%
Variable-rate bank borrowings	**3.45% to 4.90%**	3.70% to 4.75%

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

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

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

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**1,123**	4,567

35. AMOUNT DUE TO A RELATED PARTY

The amount is unsecured, non-interest bearing which represents the trade payable for purchase from a related party.

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

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**–**	46

36. AMOUNT DUE TO A JOINT VENTURE

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

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

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**–**	2,006

The remaining balance of approximately RMB nil (2020: RMB21,654,000) is received on behalf of Fengjia for selling the flour to their customers. As at December 31, 2021, all balance have been settled to Fengjia.

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37. DEFERRED INCOME

Amounts credited to profit or loss during the year:

	2021 RMB'000	2020 RMB'000
Incentive subsidies (note a)	4,107	7,918
Released from asset-related government subsidies (note b)	5,876	4,783
	9,983	12,701

The movement of deferred income is as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	55,690	88,986
Receipts of subsidies related to development expenditures, property, plant and equipment and right-of-use assets (note b)	1,301	2,722
Refund of subsidies related to development expenditures, property, plant and equipment and right-of-use assets (note c)	–	(31,235)
Release to profit or loss during the year (note b)	(5,876)	(4,783)
At end of year	51,115	55,690
Analysed for reporting purpose:		
Current liabilities	1,891	1,804
Non-current liabilities	49,224	53,886
	51,115	55,690

37. DEFERRED INCOME *(continued)*

Notes:

(a) Incentive subsidies were received from a local government for improvement of working capital and compensation of research and development expenses incurred. There are no unfulfilled conditions or other contingencies attached to the grants. The subsidies were granted on a discretionary basis to the Group during the year ended December 31, 2021.

(b) The Group received government subsidies for the compensation of capital expenditures on the plant and machinery and right-of-use assets which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

(c) The amount represents subsidy received from Bureau of Finance of Yunfu City, Guangdong Province for a research project related to an industrial park. Pursuant to the grant document, there is a condition to fulfil in which the fund should be utilised as development expenditure or applied to purchase non-current asset for production.

During the year ended December 31, 2020, the construction plan of the industrial park was cancelled, thus the condition of the government grant was not met and the government grant received in prior years of appropriately RMB31,235,000 was refund to Bureau of Finance, Yunfu City, Guangdong Province accordingly.

38. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	33,414	3,410
Within a period of more than one year but not more than two years	3,413	3,043
Within a period of more than two years but not exceeding five years	10,148	—
Within a period of more than five years	40,146	—
	87,121	6,453
Less: amount due for settlement with 12 months shown under current liabilities	(33,414)	(3,410)
Amount due for settlement after 12 months shown under non-current liabilities	53,707	3,043

All lease obligations are denominated in the functional currencies of the relevant group entities.

The weighted average incremental borrowing rates applied to lease liabilities is 4.89% (2020: 4.75%).

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39. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**1,845**	—
Deferred tax liabilities	**(10,694)**	(11,062)
	(8,849)	(11,062)

The following is the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	ECL provision RMB'000	**Fair value adjustment on intangible assets** RMB'000	**Undistributed profits of subsidiaries** RMB'000	**Total** RMB'000
At January 1, 2020	—	(10,466)	(1,979)	(12,445)
Credit (charge) to profit or loss	—	1,715	(332)	1,383
At December 31, 2020	**—**	**(8,751)**	**(2,311)**	**(11,062)**
Credit (charge) to profit or loss	**1,845**	**1,709**	**(1,341)**	**2,213**
At December 31, 2021	**1,845**	**(7,042)**	**(3,652)**	**(8,849)**

As at December 31, 2021, the Group has unrecognised deferred tax liability in relation to the PRC withholding EIT on undistributed profits in certain of its PRC subsidiaries of RMB556,341,000 (2020: RMB597,112,000), as it is the intention of the directors of the Company to retain the remaining undistributed profits with these subsidiaries for their future business development. The dividend withholding EIT rate for the profit earned in the PRC subsidiaries for the year ended December 31, 2021 is 10% (2020: 5%).

At December 31, 2021, the Group has unused tax losses of RMB53,181,000 (2020: RMB39,239,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB41,598,000 (2020: RMB27,656,000) with expiry dates as disclosed in the following table. Other losses may be carried forward indefinitely.

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39. DEFERRED TAX ASSETS/LIABILITIES *(continued)*

	2021 RMB'000	2020 RMB'000
2023	9,231	9,231
2024	10,198	10,198
2025	6,010	8,227
2026	16,159	—
	41,598	27,656

At December 31, 2021, the Group has deductible temporary differences of RMB44,900,000 (2020: RMB85,774,000). A deferred tax asset has been recognised in respect of approximately RMB12,302,000 (2020: nil) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining approximately RMB32,598,000 (2020: RMB85,774,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

40. SHARE CAPITAL

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	Share capital HK$
Authorised:		
At January 1, 2020, December 31, 2020 and December 31, 2021		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2020, December 31, 2020 and December 31, 2021		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At December 31, 2021 and 2020 RMB'000
Presented in the consolidated financial statements	3,285

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41. SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") in 2014 to enable the Company to grant options to the eligible person as incentives or rewards for their contribution to the Group. The Group is authorised to issue options to a maximum of 10% of the shares in issue as at the listing date under the share option scheme.

The total number of share options granted to a former director under the Share Option Scheme was 2,000,000 on June 12, 2015 at exercise price of HK$4.58 per share. The exercise price was determined by the board of directors of the Company at its absolute discretion and shall not be less than the highest of (i) the closing price of HK$4.58 per share as quoted in the daily quotation sheet of the Stock Exchange on the grant date; (ii) the average closing price of approximately HK$4.54 per share as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of HK$0.01 per share.

The following table discloses the details of the share options and movement in the share options granted under the Share Option Scheme for the years ended December 31, 2020:

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2020	Granted during the year	Exercised during the year	Lapsed during the year	At 12.31.2020
Mr. Wu Meng-cher (note)	6.12.2015	6.12.2016 – 6.12.2020	HK$4.58	500,000	–	–	(500,000)	–
	6.12.2015	6.12.2017 – 6.12.2020	HK$4.58	500,000	–	–	(500,000)	–
	6.12.2015	6.12.2018 – 6.12.2020	HK$4.58	500,000	–	–	(500,000)	–
	6.12.2015	6.12.2019 – 6.12.2020	HK$4.58	500,000	–	–	(500,000)	–
Total				2,000,000	–	–	(2,000,000)	–
Exercisable at year ended								–

Note: Mr. Wu Meng-cher was formerly a director and resigned as a director on December 1, 2015.

The fair value of the share options granted on June 12, 2015 was RMB2,408,000, of which nil was charged to the profit or loss for the year ended December 31, 2020.

All the share options had been lapsed and the amount previously recognised in share options reserve of RMB2,408,000 was transferred to accumulated profits during the year ended December 31, 2020. As at December 31, 2021 and 2020, the Group has no share options outstanding.

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of new debt or the redemption of existing debt.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost	**833,170**	668,498
Financial asset mandatorily measured at FVTPL	**104,168**	100,691
Financial liabilities		
Amortised cost	**835,468**	583,471

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, loan receivables, amounts due from associates, non-controlling shareholders of subsidiaries, a joint venture and a related party, loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate, pledged bank deposits, bank balances and cash, trade, bills and other payables, bank borrowings, amounts due to a non-controlling shareholder of subsidiary, a joint venture and a related party and financial asset at FVTPL. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk

Currency risk

Several group entities of the Company have foreign currency bank balances and bank borrowing which expose the Group to foreign currency risk. In addition, several group entities have intra-group balances denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The Group				
US$	**–**	–	**3,575**	2,399
HK$	**–**	198	**3,141**	1,725
Inter-group balances				
HK$	**674,213**	607,113	**674,213**	607,113

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currency of the Group against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where functional currency strengthen 5% (2020: 5%) against the relevant currency. For a 5% (2020: 5%) weakening of functional currency against the relevant currency, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk *(continued)*

Sensitivity analysis *(continued)*

	US$ Impact (i)		HK$ Impact (ii)	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Decrease in profit	**(134)**	(90)	**(118)**	(57)

(i) This is mainly attributable to the exposure on bank balances denominated in US$ at the end of reporting period.

(ii) This is mainly attributable to the exposure on bank balances denominated in HK$ at the end of reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant years.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 33), fixed-rate loan receivables (note 27), fixed-rate loan to a non-controlling shareholder of a subsidiary (note 23b), fixed-rate loans to a joint venture (note 23a) and lease liabilities (note 38). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances (note 30), pledged bank deposits (note 30) and variable-rate bank borrowings (note 33). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, pledged bank deposits and variable-rate bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2021	2020
	RMB'000	RMB'000
Interest income Financial assets at amortised cost	**26,436**	27,038
Interest expense on financial liabilities not measured at FVTPL: Financial liabilities at amortised cost	**24,811**	21,892

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For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis represents the management's assessment of the reasonably possible change in interest rates.

Variable-rate bank balances and bank borrowings

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's profit after tax for the year ended December 31, 2021 would increase/decrease by approximately RMB169,000 (2020: RMB297,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Other price risk

The Group is exposed to equity price risk through its investments in unlisted equity investment fund measured at FVTPL. The management of the Group monitors the price risk and will consider lower the risk exposure by selling its equity interest to other parties.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unlisted equity investment fund with fair value measurement categorised within Level 3 were disclosed in note 43(c).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivables, other receivables, loan receivables, amounts due from associates, a non-controlling shareholder of a subsidiary, a joint venture and a related party, loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with certain loan receivables, and loans to a non-controlling shareholder of a subsidiary and a joint venture is mitigated because they are secured over land, retail stores, manufacturing plant, residential building or the equity interest of investments and settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group generally adopts a policy to require advance payment from majority of their customers before the delivery of goods. Before granting credit to customers, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals and to determine any debt recovery action on those delinquent accounts receivable arising from contracts with customers. The Group also reviews the credit quality and defines credit limits by these customers. Limits attributed to these customers are reviewed once a year and each customer has a maximum credit limit. The Group maintains a defined credit policy to assess the credit quality of these customers and seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The trade receivables balance at the end of each reporting period represented credit sales to certain customers. With respective to these credit sales, the Group has concentration of credit risk as 38% (2020: 42%) of the Group's total trade receivables as at December 31, 2021, were due from five customers. Those five customers are with good creditworthiness based on historical settlement record.

In addition, the Group performs impairment assessment under ECL model on trade receivables balance by using provision matrix. Trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers. Impairment of RMB2,948,000 is reversed (2020: RMB4,980,000 was recognised) during the year ended December 31, 2021. Details of the quantitative disclosures are set out below in this note.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate

Before accepting any new borrower, the Group conducted credit check to assess the borrowers' credit quality and periodically review borrowers' financial information in order to mitigate the credit risk of loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate. The Group performs impairment assessment under ECL model on loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate individually. For the unsecured loan receivables, the directors of the Company estimate the estimated loss rates based on historical credit loss experience of the debtors in view of their financial position and the market data. For the loan receivables and the loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate with collaterals, the directors of the Company will estimate the estimated loss rate based on historical credit loss experience of the debtors as well as the fair value of the collaterals pledged by the borrowers. Based on assessment by the directors of the Company, the borrowers has certain risk of default in view of the realised amount of the collaterals and estimated financial position of borrowers on their ability to repay the loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate upon the due date. Impairment of RMB22,253,000 on loan receivables and loans to a joint venture, a non-controlling shareholder of a subsidiary and an associate is recognised (2020: RMB5,710,000 was reversed) during the year ended December 31, 2021. Details of the quantitative disclosures are set out below in this note.

Pledged bank deposits, bank balances and bills receivables

Credit risk on pledged bank deposits, bank balances and bills receivables is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances and bills receivables by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates from reputable credit agencies, the 12m ECL on pledged bank deposits, bank balances and bills receivables is considered to be insignificant.

Other receivables

The management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. During the year ended December 31, 2021, the Group provided an impairment loss on other receivables of RMB2,650,000 (2020: RMB1,550,000). Details of the quantitative disclosures are set out below in this note.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Amount due from a non-controlling shareholder of a subsidiary

The management of the Group makes periodic individual assessment on the recoverability of the amounts due from a non-controlling shareholder of a subsidiary based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. During the year ended December 31, 2021, the Group provided an impairment loss on amounts due from a non-controlling shareholder of a subsidiary of RMB10,823,000 (2020: nil). Details of the quantitative disclosures are set out below in this note.

Amount due from a joint venture

The management of the Group makes periodic individual assessment on the recoverability of the amount due from a joint venture based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model. During the year ended December 31, 2021, the Group provided an impairment loss on amount due from a joint venture of RMB2,556,000 (2020: nil). Details of the quantitative disclosures are set out below in this note.

Amounts due from associates and a related party

The credit risks on amounts due from associates and a related party are insignificant as the management of the Group periodically monitors the balances to ensure that the counterparties are viable to settle the debts.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	The counterparty has a medium risk of default through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	**2021 Gross carrying amount RMB'000**	2020 Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	25	Low risk (note 2)	Lifetime ECL (provision matrix)	**10,517**	12,824
		Watch list (note 2)	Lifetime ECL (provision matrix)	**2,310**	2,667
		Loss (note 2)	Lifetime ECL (credit-impaired)	**3,157**	7,243
Bills receivables (note 1)	25	Low risk (note 1)	12m ECL	**8,471**	5,533
Other receivables	25	Low risk	12m ECL	**25,377**	12,657
		Doubtful (note 3)	Lifetime ECL (not credit-impaired)	**–**	4,200
		Loss (note 3)	Lifetime ECL (credit-impaired)	**4,200**	–
Loan receivables	27	Watch list (note 4)	12m ECL	**92,300**	2,000
		Doubtful (note 4)	Lifetime ECL (not credit-impaired)	**–**	3,000
		Loss (note 4)	Lifetime ECL (credit-impaired)	**31,512**	45,324
Amounts due from associates	28	Low risk (note 1)	12m ECL	**7,293**	7,336
Amounts due from non-controlling shareholders of subsidiaries	29	Low risk (note 1)	12m ECL	**30**	30
		Doubtful (note 7)	Lifetime ECL (not credit-impaired)	**22,324**	–
Amount due from a related party	29	Low risk (note 1)	12m ECL	**8**	6
Amount due from a joint venture	29	Watch list (note 8)	Lifetime ECL (not credit-impaired)	**60,000**	–
Loans to a joint venture	23a	Watch list (note 9)	Lifetime ECL (not credit-impaired)	**172,675**	18,000
Loan to a non-controlling shareholder of a subsidiary	23b	Doubtful (note 5)	Lifetime EC (not credit-impaired)	**18,000**	18,000
Loans to an associate	23c	Doubtful (note 6)	Lifetime ECL (not credit-impaired)	**16,000**	–
Pledged bank deposits	30	Low risk	12m ECL	**21,044**	239
Bank balances	30	Low risk	12m ECL	**383,704**	490,198
				878,952	629,257

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43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes:

(1) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2021 Not past due/ no fixed repayment terms RMB'000	2020 Not past due/ no fixed repayment terms RMB'000
Bills receivables	8,471	5,533
Amounts due from associates	7,293	7,336
Amount due from a non-controlling shareholder of a subsidiary	30	30
Amount due from a related party	8	6

(2) The Group applies the simplified approach to provide for ECL prescribed by IFRS 9 for trade receivables, which permits the use of the lifetime ECL provision for these trade receivables. Except for trade receivables with credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix for customers by internal credit rating. As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. Trade receivables that are credit-impaired with an aggregate gross carrying amount of RMB3,157,000 (2020: RMB7,243,000) as at December 31, 2021 are assessed individually. The exposure to credit risk for these balances are assessed within lifetime ECL (credit-impaired) and impairment allowance of RMB3,157,000 (2020: RMB7,243,000) was provided by the Group as at December 31, 2021. The following table provides information about the exposure to credit risk for the remaining trade receivables which are assessed based on provision matrix as at December 31, 2021 and 2020 within lifetime ECL (not credit-impaired).

Gross carrying amount

	2021		2020	
Internal credit rating	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Low risk	0.02%	10,517	0.02%	12,824
Watch list	1.00%	2,310	1.00%	2,667
		12,827		15,491

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

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For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(2) *(continued)*

As at December 31, 2021, the Group provided approximately RMB25,000 (2020: RMB29,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB3,157,000 (2020: RMB7,243,000) was made on credit-impaired debtors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables:

	Lifetime ECL — simplified approach (not credit-impaired) RMB'000	Lifetime ECL — individual assessment (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	110	2,304	2,414
Changes due to financial instruments recognised as at January 1, 2020:			
— Transfer to credit-impaired	(53)	53	—
— Impairment losses recognised	—	5,206	5,206
— Impairment losses reversed	(57)	(448)	(505)
— Write-offs	—	(122)	(122)
New financial assets originated	29	250	279
As at December 31, 2020	**29**	**7,243**	**7,272**
Changes due to financial instruments recognised as at January 1, 2021:			
— Transfer to credit-impaired	**(3)**	**3**	**—**
— Impairment losses recognised	**—**	**298**	**298**
— Impairment losses reversed	**(26)**	**(3,637)**	**(3,663)**
— Write-offs	**—**	**(1,142)**	**(1,142)**
New financial assets originated	**25**	**392**	**417**
As at December 31, 2021	**25**	**3,157**	**3,182**

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(2) *(continued)*

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

	2021 (Decrease)/increase in lifetime ECL		2020 (Decrease)/increase in lifetime ECL	
	Not credit-impaired RMB'000	**Credit impaired RMB'000**	Not credit-impaired RMB'000	Credit impaired RMB'000
One trade debtor with a gross carrying amount of RMB301,000 (2020: RMB5,259,000) defaulted and transferred to credit-impaired	**(3)**	**3**	(53)	53
Existing trade receivables with gross carrying amount of RMB301,000 (2020: RMB5,259,000)	**–**	**298**	–	5,206
Settlement in full of trade receivables gross carrying amount of RMB15,491,000 (2020: RMB19,602,000)	**(26)**	**(3,637)**	(57)	(448)

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivable are over two years past due, whichever occurs earlier.

(3) The Group assessed the loss allowance for other receivable on 12m ECL for internal credit rating of low risk and lifetime ECL basis for internal credit rating of doubtful (not credit-impaired) and loss (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position of the debtors, its settlement status and other contractual conditions to ensure it is financially viable to settle the other receivables. The Group has applied nil to 100% (2020: nil to 36.9%) of credit loss rate as at the December 31, 2021 and concluded that adequate impairment loss is made for irrecoverable amount. No impairment loss has been provided for the remaining other receivables with internal credit rating of low risk for the years ended December 31, 2021 and 2020.

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For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(3) *(continued)*

The following table show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	—	—	—	—
Changes due to financial instruments recognised as at January 1, 2020:				
— Impairment losses recognised	—	1,550	—	1,550
As at December 31, 2020	—	1,550	—	1,550
Changes due to financial instruments recognised as at January 1, 2021:				
— Transfer to credit-impaired	**—**	**(1,550)**	**1,550**	**—**
— Impairment losses recognised	**—**	**—**	**2,650**	**2,650**
As at December 31, 2021	**—**	**—**	**4,200**	**4,200**

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

	2021		
		Increase in lifetime ECL	
	12m ECL RMB'000	**Not credit-impaired RMB'000**	**Credit-impaired RMB'000**
Increase in credit rating of other receivables	**—**	**(1,550)**	**4,200**

	2020		
		Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Increase in credit rating of other receivables	—	1,550	—

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(4) The Group assessed the loss allowance for loan receivables on 12m ECL for loan receivables without significant increase in credit risk (watch list in internal credit rating) and on lifetime ECL for internal credit rating of doubtful (not credit-impaired) and loss (credit impaired). In determining the ECL, the Group performs periodic review on the financial position on each of the debtors individually, its settlement status and other contractual conditions to ensure it is financially viable to settle the loan receivables. The Group has applied 7.31% to 100% (2020: 8.10% to 100%) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table show reconciliation of loss allowances that has been recognised for loan receivables:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	—	8,459	—	8,459
Changes due to financial instruments recognised as at January 1, 2020:				
— Transfer to 12m ECL	160	(160)	—	—
— Transfer to credit-impaired	—	(160)	160	—
— Impairment losses reversed	—	(7,552)	—	(7,552)
— Impairment losses recognised	2	—	1,840	1,842
As at December 31, 2020	**162**	**587**	**2,000**	**2,749**
Changes due to financial instruments recognised as at January 1, 2021:				
— Impairment losses reversed	**(162)**	**(587)**	**—**	**(749)**
New financial assets originated	**7,307**	**—**	**—**	**7,307**
As at December 31, 2021	**7,307**	**—**	**2,000**	**9,307**

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

	2021		
		Increase (decrease) in lifetime ECL	
	Increase in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Settlement in full of loan receivables	**(162)**	**(587)**	**—**
Additional impairment loss recognised	**7,307**	**—**	**—**

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For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(4) *(continued)*

		2020	
		Increase (decrease) in lifetime ECL	
	Increase in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Settlement in full of loan receivables	—	(7,552)	—
Additional impairment loss recognised	2	—	1,840

(5) The Group assessed the loss allowance for loan to a non-controlling shareholder of a subsidiary on 12m ECL for internal credit rating of doubtful (not credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the loan to a non-controlling shareholder of a subsidiary. The Group has applied 48.48% (2020: nil) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table show reconciliation of loss allowances that has been recognised for loan to a non-controlling shareholder of a subsidiary:

	12m ECL RMB'000	**Lifetime ECL (not credit-impaired) RMB'000**
As at January 1, 2020 and December 31, 2020	–	–
Changes due to financial instruments recognised as at January 1, 2021:		
— Impairment loss recognised	–	7,286
As at December 31, 2021	–	7,286

Changes in the loss allowance for loan to a non-controlling shareholder of a subsidiary is mainly due to:

		2021	
		Increase in lifetime ECL	
	12m ECL RMB'000	**Not credit-impaired RMB'000**	**Credit-impaired RMB'000**
Increase in credit rating of loans to a non-controlling shareholder of a subsidiary	**–**	**7,286**	**–**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(6) The Group assessed the loss allowance for loans to an associate on lifetime ECL for internal credit rating of doubtful (not credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the loans to an associate. The Group has applied 48.48% (2020: nil) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table show reconciliation of loss allowances that has been recognised for loans to an associate:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000
As at January 1, 2020 and December 31, 2020	–	–
New financial assets originated	–	7,757
As at December 31, 2021	–	7,757

Changes in the loss allowance for loan to an associate is mainly due to:

	2021		
		Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Additional impairment loss recognised	–	7,757	–

(7) The Group assessed the loss allowance for amount due from a non-controlling shareholder of a subsidiary on lifetime ECL for internal credit rating of doubtful (not credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the amount due from a non-controlling shareholder of a subsidiary. The Group has applied 48.48% (2020: nil) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table show reconciliation of loss allowances that has been recognised for amount due from a non-controlling shareholder of a subsidiary:

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000
As at January 1, 2020 and December 31, 2020	–	–
New financial assets originated	–	10,823
As at December 31, 2021	–	10,823

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(7) *(continued)*

Changes in the loss allowance for amount due from a non-controlling shareholder of a subsidiary is mainly due to:

		2021	
		Increase in lifetime ECL	
	12m ECL	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000
Additional impairment loss recognised	–	10,823	–

(8) The Group assessed the loss allowance for amounts due from a joint venture on lifetime ECL for internal credit rating of watch list (not credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the amounts due from a joint venture. The Group has applied 4.26% (2020: nil) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

The following table show reconciliation of loss allowances that has been recognised for amount due from a joint venture:

	12m ECL	Lifetime ECL (not credit-impaired)
	RMB'000	RMB'000
As at January 1, 2020 and December 31, 2020	–	–
New financial assets originated	2,556	–
As at December 31, 2021	2,556	–

Changes in the loss allowance for amounts due from a joint venture is mainly due to:

		2021	
		Increase in lifetime ECL	
	12m ECL	Not credit-impaired	Credit-impaired
	RMB'000	RMB'000	RMB'000
Additional impairment loss recognised	2,556	–	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk and impairment assessment *(continued)*

Notes: *(continued)*

(9) The Group assessed the loss allowance for loans a joint venture on lifetime ECL for internal credit rating of watch list (credit-impaired). In determining the ECL, the Group performs periodic review on the financial position on the debtor, its settlement status and other contractual conditions to ensure it is financially viable to settle the loans to a joint venture. The Group has applied 4.26% (2020: nil) of credit loss rate and concluded that adequate impairment loss is made for irrecoverable amount.

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

	12m ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000
As at January 1, 2020 and December 31, 2020	–	–
New financial assets originated	652	–
As at December 31, 2021	652	–

Changes in the loss allowance for loans to a joint venture is mainly due to:

		2021	
		Increase in lifetime ECL	
	12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Additional impairment loss recognised	652	–	–

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at December 31, 2021, the Group has available unutilised bank facilities of RMB44,400,000 (2020: RMB33,360,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

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

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average interest rate	Repayable on demand or within 3 months	3–6 months	6 months to 1 year	1 to 5 years	over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2021								
Trade, bills and other payables	–	293,177	21,030	–	–	–	314,207	314,207
Amounts due to a non-controlling shareholder of a subsidiary	–	1,123	–	–	–	–	1,123	1,123
Bank borrowings	3.75	244,236	19,910	151,533	94,886	47,745	558,310	520,138
Lease liabilities	4.89	1,363	1,563	38,082	22,590	46,945	110,543	87,121
		539,899	42,503	189,615	117,476	94,690	984,183	922,589
At December 31, 2020								
Trade, bills and other payables	–	217,548	18,250	10,400	–	–	246,198	246,198
Amounts due to non-controlling shareholders of subsidiaries	–	4,567	–	–	–	–	4,567	4,567
Amount due to a joint venture	–	23,660	–	–	–	–	23,660	23,660
Amount due to a related party	–	46	–	–	–	–	46	46
Bank borrowings	4.10	157,198	1,378	154,942	–	–	313,518	309,000
Lease liabilities	4.75	1,330	1,312	975	3,274	–	6,891	6,453
		404,349	20,940	166,317	3,274	–	594,880	589,924

43. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group considers to engage third party qualified valuer to perform the valuation. The Group's chief financial officer works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model and reports the findings to the directors of the Company to explain the cause of fluctuations in the fair value.

(i) Fair value of the Group's financial asset that are measured at fair value on a recurring basis

The Group has a financial asset that is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
	December 31, 2021	December 31, 2020			
Financial asset at FVTPL – unlisted equity investment fund in the PRC	RMB104,168,000	RMB100,691,000	Level 3	Asset based approach. The net asset value is identified by subtracting the total liabilities of these investments from total assets.	The higher the net asset value, the higher the fair value. (note a)

Note (a): A slight increase in the net assets of the unlisted equity investment fund would result in a significant increase in the fair value measurement of the unlisted equity investment fund, and vice versa. As a result of the volatility financial market in 2021, the management adjusted the sensitivity rate to 3% of the underlying assets value for the purpose of performing the sensitivity analysis. A 3% (2020: 3%) increase in the underlying assets value, holding all other variables constant, would increase the fair value of the unlisted equity investment fund by approximately RMB3,125,000 (2020: RMB3,021,000).

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

43. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial asset that are measured at fair value on a recurring basis *(continued)*

Reconciliation of Level 3 fair value measurements

	Financial asset at FVTPL – unlisted equity investment fund RMB'000
As at January 1, 2020	101,037
Fair value change recognised in profit or loss	(346)
As at December 31, 2020	**100,691**
Fair value change recognised in profit or loss	**3,477**
As at December 31, 2021	**104,168**

The fair value gains or losses on the financial asset at FVTPL are included in "other gains and losses" (note 8).

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements using discounted cash flow valuation technique approximate their fair values.

44. DEREGISTRATION OF A SUBSIDIARY

For the year ended December 31, 2021

In October 2021, the Group had deregistered both 吉林嘉士利食品有限公司 (Jilin Jiashili Food Co. Limited*) and 長春市利嘉置業有限公司 (Changchun Lijia Limited Property Co. Limited*) with no gain or loss recognised.

For the year ended December 31, 2020

In October 2020, the non-controlling interests of Guangdong Jiashili Huangpi transfer its 10% equity interests to the Group with no consideration and subsequently the Group had deregistered Guangdong Jiashli Huangpi with no gain or loss recognised.

* English name for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**77,237**	77,237
Amounts due from subsidiaries	**137,447**	200,229
	214,684	277,466
CURRENT ASSET		
Bank balances	**34**	31
	34	31
CURRENT LIABILITY		
Accruals and other payables	**362**	2,847
NET CURRENT LIABILITY	**(328)**	(2,816)
NET ASSETS	**214,356**	274,650
CAPITAL AND RESERVES		
Share capital	**3,285**	3,285
Reserves	**211,071**	271,365
TOTAL EQUITY	**214,356**	274,650

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Movement in the Company's share capital and reserves

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At January 1, 2020	3,285	267,734	2,408	40,562	313,989
Loss and total comprehensive expense for the year	–	–	–	(20,752)	(20,752)
Dividends declared (note 15)	–	(18,587)	–	–	(18,587)
Lapse of share options	–	–	(2,408)	2,408	–
At December 31, 2020	**3,285**	**249,147**	**–**	**22,218**	**274,650**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(8,595)**	**(8,595)**
Dividends declared (note 15)	**–**	**(51,699)**	**–**	**–**	**(51,699)**
At December 31, 2021	**3,285**	**197,448**	**–**	**13,623**	**214,356**

46. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 1 to 15 years, respectively.

Undiscounted lease payments receivable on leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**1,291**	1,006
In the second to fifth year inclusive	**4,765**	4,023
Over five years	**15,088**	16,764
	21,144	21,793

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

47. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**40,430**	73,171
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the consolidated financial statements (note a)	**1,600**	1,600
Capital expenditure in respect of the capital injections to the unlisted equity investment fund but not provided in the consolidated financial statements (note b)	**34,500**	34,500
Capital expenditure in respect of the acquisition of a subsidiary but not provided in the consolidated financial statements (note c)	**135,000**	—

Notes:

(a) Pursuant to the Articles of Association of Kaiping Jiarun, Kaiping Jiarun has a total registered capital of RMB68 million, of which RMB30.6 million shall be contributed by the Group and the remaining RMB37.4 million shall be contributed by the other shareholder. As at December 31, 2021, the paid-in capital of Kaiing Jiarun is RMB50 million (2020: RMB50 million), of which RMB29 million (2020: RMB29 million) has been contributed by the Group, with the remaining RMB21 million (2020: RMB21 million) has been contributed by the other shareholder. Details of the investment in Kaiping Jiarun set out in note 21.

(b) On December 20, 2019, the Group entered into a capital increase agreement on Jia Hui LLP with three independent third parties. Pursuant to the capital increase agreement, the registered capital of the Jia Hui LLP, shall further increase by RMB50 million to RMB200 million (the "Capital Increase"). Pursuant to the Capital Increase agreement, the Group shall make further capital contribution of RMB34.5 million. Upon the completion of the Capital Increase, the total capital contribution to the unlisted equity invest fund by the Group would be RMB138 million, representing 69% of the enlarged registered capital Jia Hui LLP, which remains unchanged from that prior to the Capital Increase. As at December 31, 2021, the Group has yet to pay the further capital contribution to the Jia Hui LLP. Details of the investment in Jia Hui LLP are set out in note 24.

(c) On May 10, 2021, the Group entered into an equity transfer agreement on Guangdong Kangli Food Co. Limited* 廣東康力食品有限公司 ("Kangli") with a related party. Pursuant to the equity transfer agreement, the Group shall pay RMB135 million to acquire 100% interest of Kangli. Pursuant to Company's announcement dated December 28, 2021, a supplemental agreement was made to extend the Long Stop Date of the Acquisition to September 30, 2022 (or any later date as agreed by the Parties). As the year ended December 31, 2021, the Group has yet to pay the transaction consideration.

* English name for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

48. RELATED PARTY DISCLOSURES

Related Party Transactions

	Relationship	2021 RMB'000	2020 RMB'000
Sale of goods			
Guangdong Ruishiyue (note a)	Associate	1,848	2,135
Guangdong Jinpingguo Co. Limited* 廣東金蘋果有限公司 ("Jinpingguo") (note a)	Non-controlling shareholder of a subsidiary	32,106	—
Fengjia (note a)	Joint venture	5	—
Kaiping Jiarun (note a)	Related party	2	—
Zhongchen (note a and b)	Related party	5	19
		33,966	2,154
Purchase of goods			
Guangdong Ruishiyue (note a)	Associate	33,563	31,299
Fengjia (note a)	Joint venture	37,140	12,522
Jinpingguo (note a)	Non-controlling shareholder of a subsidiary	10,787	16,353
Kangli (note a)	Related party	—	3,275
		81,490	63,449
Interest income			
Fengjia (note c)	Joint venture	8,340	—
Jinpingguo (note c)	Non-controlling shareholder of a subsidiary	1,440	840
		9,780	840
Lease contract on motor vehicle			
Zhongchen (note d)			
— Payment of lease liabilities	Related party	149	222

* English name for identification purpose only

48. RELATED PARTY DISCLOSURES *(continued)*

Related Party Transactions *(continued)*

Notes:

(a) The amount represents the sales and purchases of biscuits, mooncakes, flour and confectioneries. The transactions were entered into in the normal course of business of the Group at terms mutually agreed between the parties.

(b) Zhongchen was the former immediate holding company of Guangdong Jiashili. It is currently owned by Mr. Huang Xianming, the ultimate controlling shareholder of the Group.

(c) The amount represents the interest income on loans to a joint venture and loan to a non-controlling shareholder of a subsidiary.

(d) The amount represents the lease payment for a motor vehicle with a lease term of 14 months starting from March 2020.

The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

Related party balances

Details of balances with the Group's related parties are set out in notes 23, 28, 29, 34, 35 and 36.

Key management personnel

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

	2021 RMB'000	2020 RMB'000
Short-term benefits	5,270	4,984
Post-employment benefits	32	27
	5,302	5,011

49. RETIREMENT BENEFIT PLAN

The employees of the Group are members of the state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The employee employed in Hong Kong is required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance of Hong Kong.

The total expense recognised in profit or loss of RMB22,044,000 (2020: RMB12,655,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

50. GENERAL INFORMATION OF SUBSIDIARIES

(a) Details of subsidiaries directly and indirectly hold by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of establishment/ incorporations	Registered capital/issued share or paid-up capital	Equity interest attributable to the Company at December 31, 2021	2020	Principal activities
Direct					
Jiashili Limited 嘉士利有限公司	British Virgin Islands	Ordinary shares of US$50,000 and paid-up capital of US$1	100%	100%	Investment holding
Indirect					
Guangdong Jiashili 廣東嘉士利食品集團有限公司	The PRC	Registered capital of RMB220,000,000 and paid-up capital of RMB220,000,000	100%	100%	Investment holding and manufacturing and sale of confectioneries
Jiangsu Jiashili Food Co. Limited* 江蘇嘉士利食品有限公司	The PRC	Registered capital of RMB50,000,000 and paid-up capital of RMB50,000,000	100%	100%	Wholesale and retail of pre-packaged food and manufacture and sale of biscuits
Henan Jiashili Food Co. Limited* 河南嘉士利食品有限公司	The PRC	Registered capital of RMB50,000,000 and paid-up capital of RMB50,000,000	100%	100%	Manufacture and sale of biscuits
Jiashili (HK) 嘉士利(香港)有限公司	Hong Kong	Ordinary shares of HK$10,000 and paid-up capital of HK$1	100%	100%	Investment holding
Kaiping Lijia Industrial Investment Company Limited* 開平市利嘉實業投資有限公司	The PRC	Registered capital of RMB30,000,000 and paid-up capital of RMB30,000,000	100%	100%	Investment holding and lending
Tangyin Lijia Property Co. Limited* 湯陰縣利嘉置業有限公司	The PRC	Registered capital of RMB8,000,000 and paid-up capital of nil	100%	100%	Investment holding
Jilin Jiashili Food Co. Limited* 吉林嘉士利食品有限公司 (deregistered in 2021)	The PRC	Registered capital of RMB5,000,000 and paid-up capital of nil	–	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

50. GENERAL INFORMATION OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Name of subsidiary	Place of establishment/ incorporations	Registered capital/issued share or paid-up capital	Equity interest attributable to the Company at December 31, 2021	2020	Principal activities
Changchun Lijia Property Co. Limited* 長春市利嘉置業有限公司 (deregistered in 2021)	The PRC	Registered capital of RMB1,000,000 and paid-up capital of nil	–	100%	Investment holding
Silang	The PRC	Registered capital of US$14,000,000 and paid-up capital of US$11,619,700	85%	85%	Manufacture and sale of biscuits
Kamtai	The PRC	Registered capital of HK$108,130,000 and paid-up capital of HK$30,000,000	85%	85%	Sale of biscuits
Hunan Jiashili Food Co. Limited* 湖南嘉士利食品有限公司	The PRC	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	100%	100%	Manufacture and sale of biscuits
Guangzhou Jialixuan Food Co. Limited* 廣州嘉利軒食品有限公司	The PRC	Registered capital of RMB30,000,000 and paid-up capital of RMB30,000,000	100%	100%	Manufacture and sale of fresh breads
Guangdong Jiajin Food Co. Limited* 廣東嘉金食品有限公司 ("Guangdong Jiajin")	The PRC	Registered capital of RMB19,607,800 and paid-up capital of RMB19,607,800	51%	51%	Manufacture and sale of mooncakes
Guangzhou Jiakun Brand Marketing Co. Limited*c 廣州嘉坤品牌營銷有限公司 (established in 2021)	The PRC	Registered capital of RMB10,000,000 and paid-up capital of Nil	100%	–	Marketing business

* English name for identification purpose only

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50. GENERAL INFORMATION OF SUBSIDIARIES *(continued)*

(b) The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting right held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Silang	The PRC	15%	15%	773	2,023	15,899	16,602
Guangdong Jiajin	The PRC	49%	49%	(7,262)	624	2,970	10,232
Individually immaterial subsidiaries with non-controlling interests				(634)	(51)	11,778	2,642
				(7,123)	2,596	30,647	29,476

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings RMB'000 (note 33)	Lease liabilities RMB'000 (note 38)	Dividends payable RMB'000 (note 15)	Total RMB'000
At January 1, 2020	378,699	6,133	–	384,832
Financing cash flows	(91,051)	(4,951)	(20,220)	(116,222)
New leases entered	–	4,931	–	4,931
Exchange adjustments	(540)	–	–	(540)
Finance costs	21,892	340	–	22,232
Dividends	–	–	20,220	20,220
At December 31, 2020	309,000	6,453	–	315,453
Financing cash flows	186,327	(7,773)	(53,174)	125,380
New leases entered	–	82,280	–	82,280
Finance costs	24,811	6,161	–	30,972
Dividends	–	–	53,174	53,174
At December 31, 2021	520,138	87,121	–	607,259