The following is the text of a report set out on pages [I-1 to I-3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagement 200 (the "HKSIR 200"), Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WEILONG DELICIOUS GLOBAL HOLDINGS LTD AND MORGAN STANLEY ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of WEILONG Delicious Global Holdings Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-92], which comprises the consolidated balance sheets as at December 31, 2019, 2020 and 2021, the balance sheets of the Company as at December 31, 2019, 2020 and 2021, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4 to I-92] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020 and 2021 and the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends paid by WEILONG Delicious Global Holdings Ltd in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integrated part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		For the year ended December 31,		
	Notes	2019	2020	2021
		RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	5	3,384,766	4,120,357	4,800,200
Cost of sales of goods	5, 8	(2,130,463)	(2,554,692)	(3,007,169)
Gross profit		1,254,303	1,565,665	1,793,031
Distribution and selling expenses	8	(281,265)	(370,975)	(520,613)
Administrative expenses	8	(138,204)	(201,096)	(359,110)
Net impairment losses on financial assets	3.1	—	(600)	(303)
Other income, net	6	35,148	58,841	152,666
Other (losses)/gains, net	7	(1,744)	31,427	11,715
Operating profit		868,238	1,083,262	1,077,386
Finance income	11	107	481	24,782
Finance costs	11	(3,215)	(5,785)	(5,536)
Finance (costs)/income, net	11	(3,108)	(5,304)	19,246
Share of net profit of associate accounted for using the equity method	13	1,378	379	—
Profit before income tax		866,508	1,078,337	1,096,632
Income tax expense	14	(208,409)	(259,573)	(269,903)
Profit for the year		658,099	818,764	826,729
Profit is attributable to:				
– Owners of the Company		658,099	818,764	826,729
Earnings per share for profit attributable to owners of the Company (RMB)				
Basic earnings per share	15	0.33	0.41	0.41
Diluted earnings per share	15	0.33	0.41	0.41

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Profit for the year	658,099	818,764	826,729
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations	—	765	831
Items that may not be reclassified to profit or loss			
– Exchange differences on translation of the Company	—	—	(43,048)
Other comprehensive income for the year, net of tax	—	765	(42,217)
Total comprehensive income for the year	658,099	819,529	784,512
Total comprehensive income for the year is attributable to:			
– Owners of the Company	658,099	819,529	784,512

CONSOLIDATED BALANCE SHEETS

		As at December 31,		
	Notes	**2019**	**2020**	**2021**
		RMB'000	**RMB'000**	**RMB'000**
Assets				
Non-current assets				
Property, plant and equipment	17	371,141	663,522	964,449
Right-of-use assets	18	88,204	188,898	181,203
Intangible assets	19	3,716	1,685	9,740
Financial assets at fair value through profit or loss	3.3	—	50,000	—
Term deposits with initial term over three months	25	—	110,000	954,340
Deferred income tax assets	31	12,142	12,829	42,190
Investment accounted for using the equity method	13	22,395	—	—
Other non-current assets	22	60,387	53,488	52,402
Total non-current assets		557,985	1,080,422	2,204,324
Current assets				
Trade, other receivables and prepayments	21	136,832	246,777	319,007
Inventories	23	399,930	541,026	604,255
Financial assets at fair value through profit or loss	3.3	458,564	842,289	802,103
Restricted cash	24	1,553	12,106	294
Term deposits with initial term over three months	25	—	56,133	766,331
Cash and cash equivalents	24	88,994	161,740	494,275
Total current assets		1,085,873	1,860,071	2,986,265
Total assets		1,643,858	2,940,493	5,190,589

CONSOLIDATED BALANCE SHEETS (CONTINUED)

		As at December 31,		
	Notes	**2019**	**2020**	**2021**
		RMB'000	**RMB'000**	**RMB'000**
Liabilities				
Non-current liabilities				
Borrowings	30	—	—	64,000
Lease liabilities	18	17,311	11,110	7,170
Deferred income	28	13,945	117,662	160,316
Deferred income tax liabilities	31	11,672	11,506	33,662
Total non-current liabilities		42,928	140,278	265,148
Current liabilities				
Trade and other payables	29	401,388	462,114	593,855
Contract liabilities	5	189,837	233,251	180,583
Current income tax liabilities		49,333	72,848	77,417
Borrowings	30	137,720	393,366	396,112
Lease liabilities	18	8,501	6,372	7,545
Total current liabilities		786,779	1,167,951	1,255,512
Total liabilities		829,707	1,308,229	1,520,660
Net assets		814,151	1,632,264	3,669,929
Equity				
Share capital	26	—	—	137
Other reserves	27	79,653	166,564	1,481,512
Retained earnings		734,498	1,465,700	2,188,280
Equity attributable to owners of the Company		814,151	1,632,264	3,669,929
Total equity		814,151	1,632,264	3,669,929
Total equity and liabilities		1,643,858	2,940,493	5,190,589

BALANCE SHEETS OF THE COMPANY

		As at December 31,		
	Notes	**2019**	**2020**	**2021**
		RMB'000	**RMB'000**	**RMB'000**
Assets				
Non-current assets				
Investments in subsidiaries	12	31,345	31,345	81,864
Total non-current assets		31,345	31,345	81,864
Current assets				
Trade, other receivables and prepayments	21	—	—	889,384
Financial assets at fair value through profit or loss	3.3	—	—	126,947
Cash and cash equivalents	24	—	—	178,750
Total current assets		—	—	1,195,081
Total assets		31,345	31,345	1,276,945
Liabilities				
Current liabilities				
Trade and other payables		713	714	8,252
Total current liabilities		713	714	8,252
Total liabilities		713	714	8,252
Net assets		30,632	30,631	1,268,693
Equity				
Share capital	26	—	—	137
Other reserves	27	30,632	30,631	1,276,588
Accumulated deficits		—	—	(8,032)
Equity attributable to owners of the Company		30,632	30,631	1,268,693
Total equity		30,632	30,631	1,268,693
Total equity and liabilities		31,345	31,345	1,276,945

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2019		—	30,884	125,881	156,765
Comprehensive income					
Profit for the year		—	—	658,099	658,099
Total comprehensive income		—	—	658,099	658,099
Transactions with owners in their capacity as owners:					
Profit appropriation to statutory surplus reserves	27(c)	—	49,482	(49,482)	—
Deemed contribution from the Controlling Shareholders for shares transfer in connection with the Reorganization	27(b)	—	20,000	—	20,000
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	27(b)	—	(20,713)	—	(20,713)
Total transactions with owners in their capacity as owners		—	48,769	(49,482)	(713)
Balance at December 31, 2019		—	79,653	734,498	814,151

	Notes	Attributable to equity holders of the Company			
		Share capital	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2020		—	79,653	734,498	814,151
Comprehensive income					
Profit for the year		—	—	818,764	818,764
Other comprehensive income		—	765	—	765
Total comprehensive income		—	765	818,764	819,529
Transactions with owners in their capacity as owners:					
Profit appropriation to statutory surplus reserves	27(c)	—	86,146	(86,146)	—
Dividends declared	16	—	—	(1,416)	(1,416)
Total transactions with owners in their capacity as owners		—	86,146	(87,562)	(1,416)
Balance at December 31, 2020		—	166,564	1,465,700	1,632,264

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to equity holders of the Company			
	Notes	Share capital	Other reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021		—	166,564	1,465,700	1,632,264
Comprehensive income					
Profit for the year		—	—	826,729	826,729
Other comprehensive income		—	(42,217)	—	(42,217)
Total comprehensive income		—	(42,217)	826,729	784,512
Transactions with owners in their capacity as owners:					
Profit appropriation to statutory surplus reserves	27(c)	—	68,160	(68,160)	—
Capital injection	27(a)	137	3,600,554	—	3,600,691
Repurchase of shares in connection with Pre-**[REDACTED]** Investments	27(a)	—	(1,802,065)	—	(1,802,065)
Dividends declared	16	—	(560,000)	(35,989)	(595,989)
Share-based payments-value of employee services	27(d)	—	50,519	—	50,519
Treasury shares held for the RSU Scheme	27(e)	—	(3)	—	(3)
Total transactions with owners in their capacity as owners		137	1,357,165	(104,149)	1,253,153
Balance at December 31, 2021		137	1,481,512	2,188,280	3,669,929

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the year ended December 31,		
	Notes	2019	2020	2021
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	32(a)	958,973	953,261	1,169,803
Interest paid		(5,053)	(9,965)	(14,312)
Interest received		107	481	11,120
Income taxes paid		(204,022)	(237,376)	(277,485)
Net cash generated from operating activities		750,005	706,401	889,126
Cash flows from investing activities				
Payments for acquisition of property, plant and equipment		(190,619)	(336,505)	(377,290)
Payment of intangible assets		(387)	(281)	(15,198)
One-off payment made for purchase of right-of-use assets		—	(113,346)	—
Payment related to land-use-rights		—	—	(6,000)
Purchase of financial assets at fair value through profit or loss	3.3	(12,549,879)	(22,838,695)	(11,736,802)
Redemption of financial assets at fair value through profit or loss	3.3	12,105,293	22,441,567	11,854,404
Proceeds from disposal of property, plant and equipment		1,345	3,993	2,838
Increase in term deposits with initial term over three months		—	(166,133)	(2,375,658)
Redemption of term deposits with initial term of over three months		—	—	822,624
Dividends from investment accounted for using the equity method	13	1,022	1,097	—
Government grants received related to assets	28	14,371	106,977	50,065
Loans to third parties		(800)	—	—
Repayment of loans to third parties		100	700	200
Proceeds from disposal of investment accounted for using the equity method	7(b)	—	20,000	—
Cash disposed related to deemed disposal of a subsidiary	7(a)	—	(8,155)	—
Capital injection related to deemed disposal of a subsidiary	7(a)	—	(3,500)	—
Proceeds from disposal of remaining 30% equity interest in an associate	7(a)	—	13,500	—
Net cash used in investing activities		(619,554)	(878,781)	(1,780,817)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		For the year ended December 31,		
	Notes	**2019**	**2020**	**2021**
		RMB'000	**RMB'000**	**RMB'000**
Cash flows from financing activities				
Proceeds from bank borrowings		100,000	320,000	664,000
Borrowings from the companies controlled by the Controlling Shareholders	35	7,912	66,648	—
Repayments of bank borrowings		—	(100,000)	(520,000)
Repayments of borrowing from the companies controlled by the Controlling Shareholders	35	(8,359)	(31,002)	(73,366)
Deemed contribution from the Controlling Shareholders for shares transfer in connection with Reorganization	27(b)	20,000	—	—
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	27(b)	(20,000)	—	—
Repayment to the Controlling Shareholders	35	—	—	(671)
Capital injection	27(a)	—	—	3,600,691
Repurchased of shares in connection with Pre-**[REDACTED]** Investments	27(a)	—	—	(1,802,065)
Dividends paid	16	(308,078)	(1,416)	(595,989)
Payments for **[REDACTED]** expenses	21	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Repayment the principal elements of lease liabilities		(9,168)	(8,625)	(7,401)
Net cash (used in)/generated from financing activities		(217,693)	245,605	1,260,476
Net (decrease)/increase in cash and cash equivalents		(87,242)	73,225	368,785
Cash and cash equivalents at the beginning of the year	24	176,236	88,994	161,740
Effects of exchange rate changes on cash and cash equivalents		—	(479)	(36,250)
Cash and cash equivalents at end of the year	24	88,994	161,740	494,275

1. General information, reorganization and basis of presentation

1.1. General Information

WEILONG Delicious Global Holdings Ltd (the "Company") was incorporated in the Cayman Islands on July 6, 2018 as an exempted company with limited liability under the Company Act (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the production and sale of spicy snack food (the "**[REDACTED]** Business") in the People's Republic of China ("PRC").

The ultimate holding company of the Company is HH Global Capital Ltd (和和全球資本有限公司, "HH Global Capital"). The directors of the Company consider the ultimate controlling party were Mr. Liu Weiping (劉衛平) and his brother Mr. Liu Fuping (劉福平) throughout the Track Record Period (the "Controlling Shareholders"), who are also the chairman and executive director of the board of the directors (the "Board") of the Company, respectively.

1.2. Reorganization

Prior to the incorporation of the Company and completion of the Group reorganization as described below ("Reorganization"), the **[REDACTED]** Business was carried out by Luohe Weilong Commerce Co., Ltd. (漯河市衛龍商貿有限公司, "Weilong Commerce") and its subsidiaries (Collectively the "Consolidated Affiliated Entities"). The Consolidated Affiliated Entities were incorporated in PRC and ultimately controlled by the Controlling Shareholders.

In preparation for the **[REDACTED]** of the shares of the Company on the Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganization, pursuant to which the beneficial interests of the companies engaged in the **[REDACTED]** Business were transferred to the Company. Details of the Reorganization are set out below:

(i) On July 6, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of USD 50,000 divided into 5,000,000 shares with par value of USD 0.01 each. On the same date, 1 subscriber share was allotted and issued at par value to the initial subscriber and transferred from the initial subscriber to HH Global Capital which was incorporated by the Controlling Shareholders, and subsequently a total of 9,999 shares were issued and allotted at par value to HH Global Capital.

(ii) On July 9, 2018, HH Global Holdings Ltd (和和控股有限公司) was incorporated in the British Virgin Islands ("BVI") with an authorized share capital of USD 1 divided into 1 share with par value of USD 1 each, which was issued and allotted to the Company at par value on the same date.

(iii) On July 19, 2018, HH International Enterprise Limited (和和國際事業有限公司) was incorporated in Hong Kong as a limited liability company under the laws of the Hong Kong with a share capital of HKD 100 divided into 100 shares with par value of HKD 1, which was issued and allotted to HH Global Holdings Ltd at par value on the same date.

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

(iv) On August 31, 2018, Luohe Hehe Foods Technology Co., Ltd. (漯河和和食品科技有限公司, "Luohe Hehe") was incorporated in the PRC by HH International Enterprise Limited as a wholly owned subsidiary with a register capital of USD 500,000.

(v) On September 5, 2018, Luohe Hehe, Shanghai Jiafeng Industrial Co., Ltd.(上海市嘉烽實業有限責任公司， "Shanghai Jiafeng") and Qorghas Liushi Equity Investment LLP (霍爾果斯劉氏股權投資合夥企業(有限合夥),"Qorghas Liushi") entered into a share transfer agreement, pursuant to which Shanghai Jiafeng and Qorghas Liushi transferred 90% shares and 9% shares of Weilong Commerce to Luohe Hehe at considerations of RMB 28,211,000 and RMB 2,821,000 respectively.

(vi) On January 22, 2019, Luohe Weilong Meiwei Foods Technology Development Co., Ltd (漯河衛龍美味食品科技發展有限責任公司, "Luohe Weilong Technology") was incorporated in PRC by the Controlling Shareholders with a registered capital of RMB 20,000,000. On June 24, 2019, Weilong Commerce and the Controlling Shareholders entered into a share transfer agreement, pursuant to which the Controlling Shareholders transferred the entire shares of Luohe Weilong Technology to Weilong Commerce at a consideration of RMB 20,000,000. There were no principal activities of Luohe Weilong Technology at that time.

(vii) On June 28, 2018, EFeng Capital Ltd (易豐資本有限公司, "EFeng Capital") was incorporated in the BVI by an individual owner. On July 10, 2018, EFeng Investment Development Limited (易豐投資發展有限公司, "EFeng Investment") was established as a wholly owned subsidiary of EFeng Capital. On August 6, 2018, EFeng Investment entered into a share transfer agreement with Qorghas Liushi, pursuant to which, EFeng Investment agreed to purchase and Qorghas Liushi agreed to sell the 1% equity interest of Weilong Commerce at a transfer consideration of approximately RMB 313,000 (the "Original Share Transfer"). To supplement to the Original Share Transfer, EFeng Investment, its ultimate individual owner and Qorghas Liushi also entered into a supplemental agreement, pursuant to which, Qorghas Liushi or its designated affiliate would have a right to repurchase the 100% equity interest of EFeng Capital, EFeng Investment and the 1% equity interest of Weilong Commerce at a transfer consideration of approximately RMB 713,000 within one year from date of the Original Share Transfer. On July 4, 2019, the individual owner transferred the 100% equity interest of EFeng Capital to the Company at a consideration of approximately RMB 713,000. During the Track Record Period, other than investment holding, there were no other principal activities of EFeng Capital and EFeng Investment.

Upon completion of the above Reorganization on July 4, 2019, the Company became the holding company of the subsidiaries now comprising the Group.

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital	Equity interest held by the Company: As at December 31, 2019	2020	2021	As at the date of this report	Note
Directly held by the Company									
HH Global Holdings Ltd (和和控股有限公司)	2018-07-09	BVI	Investment holding	USD 1	100%	100%	100%	100%	Note a
EFeng Capital Ltd (易豐資本有限公司)	2018-06-28	BVI	Investment holding	USD 1	100%	100%	100%	100%	Note a
Indirectly held by the Company									
HH International Enterprise Limited. (和和國際事業有限公司)	2018-07-19	Hong Kong	International trading	HKD 100	100%	100%	100%	100%	Note c
EFeng Investment Development limited (易豐投資發展有限公司)	2018-07-10	Hong Kong	Investment holding	HKD 100	100%	100%	100%	100%	Note c
Luohe Hehe Foods Technology Co., Ltd. (漯河和和食品科技有限責任公司)	2018-08-31	Henan, PRC	Investment holding	USD 33,060,000	100%	100%	100%	100%	Note b
Luohe Weilong Commerce Co., Ltd. (漯河市衛龍商貿有限公司)	2014-07-11	Henan, PRC	Trading of food	RMB 300,000,000	100%	100%	100%	100%	Note b
Henan Weilong Foods E-commerce Co., Ltd. (河南衛龍食品企業電商發展有限公 司)	2017-07-12	Henan, PRC	Trading of food	RMB 30,000,000	100%	100%	100%	100%	Note b
Luohe Weilong Meiwei foods Technology Development Co., Ltd (漯河衛龍美味食品科技發展有限責任公司)	2019-01-22	Henan, PRC	Trading of food	RMB 20,000,000	100%	100%	100%	100%	Note b
Luohe Ping Ping Foods Co., Ltd. (漯河市平平食品有限責任公司)	2004-09-09	Henan, PRC	Manufacturing and sale of food	RMB 120,000,000	100%	100%	100%	100%	Note b
Luohe Qinzui Foods Co., Ltd. (漯河親嘴食品有限公司)	2010-06-24	Henan, PRC	Manufacturing and sale of food	RMB 30,000,000	100%	100%	100%	100%	Note b
Luohe Weilai Foods Technology Co., Ltd. (漯河衛來食品科技有限公司)	2013-11-11	Henan, PRC	Manufacturing and sale of food	RMB 30,000,000	100%	100%	100%	100%	Note b
Luohe Lewei Seasoning Processing Co., Ltd. (漯河市樂味調味品加工有限公司)	2017-07-31	Henan, PRC	Manufacturing and sale of food	RMB 20,000,000	100%	100%	100%	100%	Note b

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital	Equity interest held by the Company: As at December 31, 2019	2020	2021	As at the date of this report	Note
Luohe Lewei Agricultural Foods Processing Co., Ltd. (漯河樂味農產品加工有限公司)	2017-07-31	Henan, PRC	Manufacturing and sale of food	RMB 50,000,000	100%	100%	100%	100%	Note b
Luohe Delong Color Printing Development Co., Ltd. (漯河市德龍彩印發展有限公司)	2017-07-31	Henan, PRC	Manufacturing packaging materials	RMB 10,000,000	100%	—	—	—	Note b, d
Luohe Weidao Foods Technology Co., Ltd. (漯河衛到食品科技有限公司)	2018-07-11	Henan, PRC	Manufacturing and sale of food	RMB 250,000,000	100%	100%	100%	100%	Note b
Zhumadian Weilai Foods Co., Ltd. (駐馬店衛來食品有限公司)	2017-07-20	Henan, PRC	Manufacturing and sale of food	RMB 10,000,000	100%	100%	100%	100%	Note b
Xinzheng Pingping Foods Co., Ltd. (新鄭市平平食品有限責任公司)	2018-08-27	Henan, PRC	Manufacturing and sale of food	RMB 10,000,000	100%	100%	—	—	Note b
Hangzhou Weilong Commerce Co., Ltd (杭州衛龍貿易有限責任公司)	2018-01-03	Zhejiang, PRC	Trading of food	RMB 3,000,000	100%	100%	100%	100%	Note b
Chuxiong Weilong Foods Co., Ltd. (楚雄衛龍食品有限公司)	2019-08-13	Yunnan, PRC	Manufacturing and sale of food	RMB 1,000,000	100%	100%	100%	100%	Note b
Qingdao Weilong Foods Co., Ltd. (青島衛龍食品有限公司)	2019-09-27	Shandong, PRC	Trading of food	RMB 1,000,000	100%	100%	100%	100%	Note b
Luohe Xinglin Foods Co., Ltd. (漯河杏林食品有限責任公司)	2019-12-25	Henan, PRC	Trading of food	RMB 200,000,000	100%	100%	100%	100%	Note b
Luohe Weilong Biotechnology Co., Ltd. (漯河市衛龍生物技術有限公司)	2020-06-12	Henan, PRC	Research & Development	RMB 1,000,000	—	100%	100%	100%	Note b
Shanghai Weilong Meiwei Biotechnology Co., Ltd. (上海衛龍美味生物科技有限公司)	2020-05-18	Shanghai, PRC	Research & Development	RMB 1,000,000	—	100%	100%	100%	Note b
Shanghai Weilong Meiwei International Commerce Co., Ltd. (上海衛龍美味國際商貿有限責任公司)	2020-05-18	Shanghai, PRC	Trading of food	RMB 1,000,000	—	100%	100%	100%	Note b
Shanghai Weilong Information Technology Co., Ltd. (上海衛龍信息技術有限公司)	2021-01-22	Shanghai, PRC	International trading	USD 2,000,000	—	—	100%	100%	Note b

1. General information, reorganization and basis of presentation (continued)

1.2. Reorganization (continued)

Name of subsidiaries	Date of establishment	Place of establishment	Principal activities	Registered capital	Equity interest held by the Company: As at December 31, 2019	2020	2021	As at the date of this report	Note
Nanning Weilai Commerce Co., Ltd. (南寧市衛來商貿有限公司)	2021-02-05	Guangxi, PRC	Trading of food	RMB 1,000,000	—	—	100%	100%	Note b
Weilong Foods (Luliang) Co., Ltd. (衛龍食品(陸良縣)有限公司)	2021-02-19	Yunnan, PRC	Manufacturing and sale of food	RMB 100,000,000	—	—	100%	100%	Note b
Shanghai Weilong Digital Technology Co., Ltd (上海衛龍數字科技有限公司)	2021-05-26	Shanghai, PRC	International trading	RMB 5,000,000	—	—	100%	100%	Note b
Xinyi Weidao Commerce Co., Ltd (新沂衛到商貿有限公司)	2021-05-27	Jiangsu, PRC	Trading of food	RMB 1,000,000	—	—	100%	100%	Note b
Shanghai Weidao Trade Co., Ltd (上海衛到貿易有限責任公司)	2021-12-20	Shanghai, PRC	International trading	RMB 1,000,000	—	—	100%	100%	

Note a: No audited financial statements have been prepared for these companies, as there is no statutory audit requirement under the applicable law in the places of incorporation of these entities.

Note b: The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with relevant accounting standards applicable to the PRC enterprises and audited by Henan Jinyang Accounting Firm (General Partnership) (河南金陽會計師事務所(普通合夥)) for the year ended December 31, 2019, audited by Luohe Huishen Accounting Firm Co., Ltd. (漯河匯審會計師事務所有限公司) and Inner Mongolia Guoxin Xinghua Certified Public Accountants Co., Ltd. (內蒙古國信興華會計師事務所有限責任公司) for the year ended December 31, 2020, and audited by Luohe Huishen Accounting Firm Co., Ltd. (漯河匯審會計師事務所有限公司) and Shanghai HeLets Certified Public Accountants GP (上海核力會計師事務所(普通合夥)) for the year ended December 31, 2021.

Note c: The statutory financial statements of these subsidiaries established in the Hong Kong were prepared in accordance with relevant accounting standards applicable to the Hong Kong enterprises and audited by Pivot CPA Limited for the period from date of incorporation to December 31, 2020 and for the year ended December 31, 2021.

Note d: On March 18, 2020, 70% shares of Luohe Delong Color Printing Development Co., Ltd. (漯河市德龍彩印發展有限公司, "Delong Color Printing") was transferred to a third party. In May 2020, the remaining 30% shares was sold to the Controlling Shareholders (Note 7(a)).

* The English name of certain subsidiaries referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

1. General information, reorganization and basis of presentation (continued)

1.3. Basis of presentation

Immediately prior to and after the Reorganization, the **[REDACTED]** Business has been conducted by the Consolidated Affiliated Entities. Pursuant to the Reorganization, the **[REDACTED]** Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalisation of the **[REDACTED]** Business with no change in management of such business and owners remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the **[REDACTED]** Business under Weilong Commerce and for the purpose of this report, the Historical Financial Information of the companies now comprising the Group is presented using the carrying values of the **[REDACTED]** Business under Weilong Commerce for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2. Summary of significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1. Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, including IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which are mandatory for the financial year beginning January 1, 2018 and IFRS 16 Leases ("IFRS 16") which is mandatory for the financial year beginning January 1, 2019, are consistently applied to the Group throughout the Track Record Period.

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published and are not effective for financial year beginning on January 1, 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

New Standards, interpretations and amendments		Effective date
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	The improvements of IFRS9, IFRS 16, IFRS1 and IAS 41	January 1, 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

2.2. Principles of consolidation and equity accounting

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations not under common control by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (continued)

2.2. Principles of consolidation and equity accounting (continued)

(a) Subsidiaries (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Historical Financial Information.

(b) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below) after initially being recognized at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to

2. Summary of significant accounting policies (continued)

2.2. Principles of consolidation and equity accounting (continued)

(d) Changes in ownership interests (continued)

non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3. Business combinations

(a) Business combinations

The Group applies the acquisition method of accounting for business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition

2. Summary of significant accounting policies (continued)

2.3. Business combinations (continued)

(a) Business combinations (continued)

date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

2.4. Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period

2. Summary of significant accounting policies (continued)

2.4. Separate financial statements (continued)

the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM").

The Board of the Company assesses the financial performance and position of the Group, and makes strategic decisions. The board of directors, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

2.6. Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is HK Dollar ("HKD"), while Group's presentation is presented in Renminbi ("RMB").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year/period end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within "Finance (costs)/income, net". All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other (losses)/gains, net".

2. Summary of significant accounting policies (continued)

2.6. Foreign currency translation (continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income.

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

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

2.7. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. Summary of significant accounting policies (continued)

2.7. Property, plant and equipment (continued)

Depreciation is calculated using the straight-line depreciation method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

• Buildings	20 years
• Machinery	10 years
• Vehicles	3-5 years
• Furniture and office equipment	5 years
• Electronic equipment	3 years
• Building improvement and decoration	3 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains, net" in the statement of profit or loss.

2.8. Intangible assets

(a) Software

Costs associated with maintaining software programmers are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

2. Summary of significant accounting policies (continued)

2.8. Intangible assets (continued)

(a) Software (continued)

- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(c) Amortization methods and periods

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Software 3 years

2.9. Impairment of non-financial assets

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

2. Summary of significant accounting policies (continued)

2.10. Investments and other financial assets

(a) Classification

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

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

- those to be measured at amortized cost.

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

2. Summary of significant accounting policies (continued)

2.10. Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

2. Summary of significant accounting policies (continued)

2.10. Investments and other financial assets (continued)

(c) Measurement (continued)

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

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

For trade receivables, impairment is measured as lifetime expected loss.

For other receivables, impairment is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12. Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 and;
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2. Summary of significant accounting policies (continued)

2.12. Financial guarantee contracts (continued)

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2.13. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14. Trade and other receivables

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

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.15. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other major licensed payment institution, and which are subject to an insignificant risk of changes in value.

2.16. Contributed equity

Ordinary shares are classified as equity.

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

2. Summary of significant accounting policies (continued)

2.16. Contributed equity (continued)

Where any group company purchases the company's equity instruments, for example as the results of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. When such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares allotted and issued under the restricted share units scheme ("RSU Scheme") is treated as treasury shares and deducted from contributed equity.

2.17. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.18. Borrowings

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

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

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

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

2. Summary of significant accounting policies (continued)

2.19. Borrowings costs

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

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

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

2.20. Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

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

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control

2. Summary of significant accounting policies (continued)

2.20. Current and deferred income tax (continued)

(b) Deferred income tax (continued)

the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

2.21. Employee benefits

(a) Liabilities for wages and salaries

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Pension and other obligations

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan, unemployment plan, work injury plan, maternity plan and medical benefit plan organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) Housing provident fund

The PRC employees of the Group are also entitled to participate in various government-sponsored housing provident fund. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period.

2. Summary of significant accounting policies (continued)

2.21. Employee benefits (continued)

(d) Share-based payments

Share-based compensation benefits are provided to employees via the RSU Scheme. Information relating to the scheme is set out in Note 10.

Restricted Share Units ("RSUs") of the Group

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Group's shares at the grant date.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of RSUs that are expected to vest based on service condition. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share-based payment transaction among group entities

The grant by the Company of share incentive plan over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

Modifications and Cancelations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of share incentive awards, that is canceled or settled during the vesting year, is treated as an acceleration of vesting. The Group immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

2.22. Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized

2. Summary of significant accounting policies (continued)

2.22. Provisions (continued)

even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.23. Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. No significant element of financing is deemed present as the sales are made with a prepayment or a credit term up to 90 days, which is consistent with market practice.

Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally upon the acceptance of the goods. The costs of transporting finished goods to a customer are recognized in distribution and selling expenses when occurred.

Some contracts for the sale of goods provide customers with rights of return, volume rebates and trade incentive. The rights of return, volume discounts and trade incentive give rise to variable consideration.

Rights of return

For contracts which provide a customer with a right of return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in

2. Summary of significant accounting policies (continued)

2.23. Revenue recognition (continued)

IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognized. A right of return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Variable consideration: volume discounts

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Trade incentive – co-advertising services

The Group may enter into agreements with its customers in relation to product advertising and promotion, under which the customers will be entitled to an advertising allowance. If no distinct service can be identified, the amounts due by the Group to its customers would be deducted from revenue.

Contract liabilities

A contract liability is recognized when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognized as revenue when the Group satisfied the performance obligation under the contract (i.e., transfers control of the related goods to the customer).

2.24. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

2. Summary of significant accounting policies (continued)

2.24. Earnings per share (continued)

(b) Diluted earnings per share

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

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

2.25. Leases

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

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

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. Summary of significant accounting policies (continued)

2.25. Leases (continued)

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2. Summary of significant accounting policies (continued)

2.25. Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

2.26. Dividend distribution

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

2.27. Government grants

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

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment and other non-current assets are included in non-current liabilities as deferred income and are recognized in profit or loss on a straight-line basis over the expected lives of the related assets. Note 28 provides further information on how the Group accounts for government grants.

2.28. Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7 below.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below. Any other interest income is included in other income.

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

3. Financial risk management

3.1. Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Track Record Period profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement
Market risk – foreign exchange	Recognized financial assets and liabilities not denominated in the functional currency	Cash flow forecasting, Sensitivity analysis
Market risk – interest rate	Interest income/costs from cash and cash equivalents and borrowing as a result of changes in interest rates	Sensitivity analysis
Credit risk	Cash and cash equivalents, restricted cash, term deposits with initial term over three months, financial assets at fair value through profit or loss, trade receivables and other receivables	Aging analysis Credit ratings
Liquidity risk	Borrowings and other liabilities	Maturity analysis

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently has not used any derivative financial instruments to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of the respective group entities. The Group manages its foreign exchange risk by minimizing non-functional currency transactions.

The Group mainly operates in the PRC with most of the transaction settled in RMB. The functional currencies of the subsidiaries in mainland are RMB, while the functional currencies of the Company and subsidiaries outside mainland of the PRC are HKD or USD. Both the entities in and outside mainland of the PRC have assets and liabilities like cash at bank and other major licensed payment institution, restricted cash, term deposits with initial term over three months are denominated in USD and HKD. Foreign exchange risk arises from the fluctuation in exchange rate.

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of the Group's deposits denominated in foreign currencies during the Track Record Period. The Group did not enter into any forward contract to manage its exposure to foreign exchange risk for the Track Record Period.

Exposure

The exposure of the Group's foreign exchange risk at the end of the Track Record Period is as follows:

	As at December 31,		
	2019	**2020**	**2021**
	RMB' 000	**RMB' 000**	**RMB' 000**
Cash at bank and other major licensed payment institution			
USD (functional currency – HKD)	3	973	179,479
USD (functional currency – RMB)	—	30,842	119,016
HKD (functional currency – USD)	—	—	2
RMB (functional currency – USD)	—	—	1

The aggregate net foreign exchange losses recognized in profit or loss were:

	For the years ended December 31,		
	2019	**2020**	**2021**
	RMB' 000	**RMB' 000**	**RMB' 000**
Net foreign exchange losses included in other (losses)/ gains, net (Note 7)	(3)	(279)	(6,148)

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD/HKD, USD/RMB, HKD/USD and RMB/USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments.

	As at December 31,		
	2019	**2020**	**2021**
	RMB' 000	**RMB' 000**	**RMB' 000**
Impact on post tax profit			
USD/HKD exchange rate – weaken 5%	—	(39)	(6,730)
USD/HKD exchange rate – strengthen 5%	—	39	6,730
USD/RMB exchange rate – weaken 5%	—	(1,157)	(4,463)
USD/RMB exchange rate – strengthen 5%	—	1,157	4,463
HKD/USD exchange rate – weaken 5%	—	—	—
HKD/USD exchange rate – strengthen 5%	—	—	—
RMB/USD exchange rate – weaken 5%	—	—	—
RMB/USD exchange rate – strengthen 5%	—	—	—

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rate. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk, which is partially offset by cash held at variable rates, whereas borrowings carried at fixed rates expose the Group to fair value interest-rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of the Track Record Period is as follows :

	As at December 31,		
	2019	**2020**	**2021**
	RMB' 000	**RMB' 000**	**RMB' 000**
Variable rate borrowings	—	—	—
% of total borrowings	—	—	—

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

An analysis by maturities is provided in Note 30. The percentage of total loans shows the proportion of borrowings that are currently at variable rates in relation to the total amount of borrowings.

As December 31, 2019, 2020 and 2021, if the interest rates of borrowing, cash and cash equivalents, restricted cash, and term deposits with initial term over three months had been increased/decreased by 50 basis points with all other variables held constant, the change of the post-tax profit would be disclosed as follows:

The Group

	As at December 31,		
	2019	2020	2021
	RMB' 000	RMB' 000	RMB' 000
Year ended			
Net profit decrease/(increase)			
– increase in interest rate	353	1,309	8,343
– decrease in interest rate	(353)	(1,309)	(8,343)

The majority of the Group's borrowings carried at fixed rates are repayable within one year and hence the group is not subject to any significant fair value interest rate risk.

(b) Credit risk

(i) Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

Credit risk is managed on a group basis. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, restricted cash, term deposits with initial term over three months, trade receivables, other receivables and financial assets at fair value through profit or loss, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

All of the Group's trade receivables and other receivables have no collateral.

The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

(ii) Impairment of financial assets

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

- cash and cash equivalents
- restricted cash
- term deposits with initial term over three months
- trade receivables
- other receivables, and
- financial assets at fair value through profit or loss

Cash and cash equivalents, restricted cash and term deposits with initial term over three months

As at December 31, 2019, 2020 and 2021, all of the Group's cash and cash equivalents, restricted cash and term deposits with initial term over three months were held in state-owned or reputable commercial banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

Trade receivables

Trade receivables mainly represents the trade receivables from direct sale customers and several distributors for sale of spicy snack food. The Group applies the IFRS 9

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at December 31, 2019 and 2020, the expected loss rates of trade receivables were minimal. As at December 31, 2021, the expected loss rates of trade receivables ranged from 0.03% to 4.57%. Thus, the loss allowance for trade receivables was not material during the year ended December 31, 2019, 2020 and 2021.

Other receivables

Other receivables at the end of each reporting period were mainly deposits from third parties and loans to third parties. The Group applies the IFRS 9 general approach to measuring expected credit losses for all other receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

- actual or expected significant changes in the operating results of the counterparty;

- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis.

As at December 31, 2019, 2020 and 2021, the expected loss rates of other receivables carried at amortized cost were minimal, except for loans to third parties of which the balances were not material as at each period end (Note 21(d)). Thus, the loss allowance for other receivables carried at amortized cost as at December 31, 2019, 2020 and 2021 were not material.

Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to the investment in wealth management products, structured deposit and fund management products issued by reputable banks and other financial service institutions that are measured at fair value through profit or loss. The maximum exposure at December 31, 2019, 2020 and 2021 were RMB 458,564,000, RMB 892,289,000 and RMB 802,103,000 , respectively.

Impairment losses on financial assets are recognized in profit or loss.

During the Track Record Period, the following losses were recognized in profit or loss in relation to financial assets:

	For the year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	**RMB'000**	**RMB'000**
Net impairment losses on financial assets at January 1 (Note 21)	200	200	800
Movement in loss allowance for trade receivables	—	—	429
Movement in loss allowance for other receivables	—	600	74
Receivables written off during the year as uncollectible for other receivables	—	—	(200)
Unused amount reversed for other receivables	—	—	(200)
Net impairment losses on financial assets at December 31 (Note 21)	200	800	903

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(c) Liquidity risk

(i) Maturities of financial liabilities

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuations cash flows. The Company expects to fund its future cash flow needs through internally generated cash flows from operations.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 30. Generally, there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within one year after receipt of goods or services.

As at December 31, 2019, 2020 and 2021, the Group has cash and cash equivalents, term deposits with initial term of over three months, financial assets at fair value through profit or loss and trade receivables of RMB 566,173,000, RMB 1,260,906,000 and RMB 3,073,172,000, respectively that can be used for fulfillment obligation or used in operation to generate cash inflows.

The directors of the Company closely monitor the Company's cash flow projections, which cover a period of not less than twelve months from December 31, 2021 to enable it to meet its liabilities and obligations as of the date of this reporting.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows during the Track Record Period.

The Group

	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at December 31, 2019					
Borrowings	138,822	—	—	—	138,822
Trade and other payables (excluding non-financial liabilities)	244,479	—	—	—	244,479
Lease liabilities	8,934	6,316	5,263	6,704	27,217
	392,235	6,316	5,263	6,704	410,518

3. Financial risk management (continued)

3.1. Financial risk factors (continued)

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities (continued)

	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at December 31, 2020					
Borrowings	395,713	—	—	—	395,713
Trade and other payables (excluding non-financial liabilities)	257,330	—	—	—	257,330
Lease liabilities	7,405	6,335	3,730	883	18,353
	660,448	6,335	3,730	883	671,396
As at December 31, 2021					
Borrowings	399,642	2,631	3,264	67,743	473,280
Trade and other payables (excluding non-financial liabilities)	355,790	—	—	—	355,790
Lease liabilities	8,086	4,727	2,565	1,350	16,728
	763,518	7,358	5,829	69,093	845,798

3.2. Capital management

The capital structure of the Group consists of net cash, which includes cash and cash equivalents, financial assets at fair value through profit or loss, restricted cash, term deposits with initial term over three months, borrowings and lease liabilities.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through raising new debts as well as redemption of the existing debts.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets.

The liability-to-asset ratio of the Group as at December 31, 2019, 2020 and 2021 were as follows:

	As at December 31,		
	2019	2020	2021
	RMB' 000	RMB' 000	RMB' 000
Total liabilities	829,707	1,308,229	1,520,660
Total assets	1,643,858	2,940,493	5,190,589
The liability-to-asset ratio	**50.5%**	**44.5%**	**29.3%**

3. Financial risk management (continued)

3.3. Fair value estimation

(a) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

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

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

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

Recurring fair value measurements	*Note*	**Level 1**	**Level 2**	**Level 3**	**Total**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At December 31, 2019					
Financial assets					
Financial assets at fair value through profit or loss	20	—	—	458,564	458,564
At December 31, 2020					
Financial assets					
Financial assets at fair value through profit or loss	20	—	—	892,289	892,289
At December 31, 2021					
Financial assets					
Financial assets at fair value through profit or loss	20	—	—	802,103	802,103

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

There were no transfers among levels 1, level 2 and level 3 for recurring fair value measurements during the period.

3. Financial risk management (continued)

3.3. Fair value estimation (continued)

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended December 31, 2019, 2020 and 2021:

	Financial products			
	Wealth management products	Structured deposit	Investment in fund management products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance as at January 1, 2019	—	—	—	—
Additions	12,399,879	150,000	—	12,549,879
Settlements	(12,105,293)	—	—	(12,105,293)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	8,654	5,324	—	13,978
– includes unrealized gains recognized in profit or loss	1,102	5,324	—	6,426
Closing balance as at December 31, 2019	303,240	155,324	—	458,564
Opening balance as at January 1, 2020	303,240	155,324	—	458,564
Additions	22,181,695	657,000	—	22,838,695
Settlements	(21,925,700)	(515,867)	—	(22,441,567)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	27,262	9,335	—	36,597
– includes unrealized gains recognized in profit or loss	4,234	5,792	—	10,026
Closing balance as at December 31, 2020	586,497	305,792	—	892,289
Opening balance as at January 1, 2021	586,497	305,792	—	892,289
Additions	10,679,863	669,700	387,239	11,736,802
Settlements	(10,833,499)	(758,613)	(262,292)	(11,854,404)
Fair value gains on financial assets at fair value through profit or loss (Note 7)	22,021	3,395	2,000	27,416
– includes unrealized gains recognized in profit or loss	4,882	275	237	5,394
Closing balance as at December 31, 2021	454,882	220,274	126,947	802,103

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

3. Financial risk management (continued)

3.3. Fair value estimation (continued)

(c) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at December 31,			Unobservable Inputs
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	
Wealth management products	303,240	586,497	454,882	The estimated weighted average return rates of these products were 2.15% to 4.40% per annum.
Structured deposit	155,324	305,792	220,274	The estimated weighted average return rates of these products were 1.15% to 4.10% per annum.
Investment in fund management products	—	—	126,947	The estimated return rates of the product was 2.25% per annum.

The financial assets measured at fair value through profit and loss were investment in wealth management products that usually held for several days and investment in structured deposit that usually held for a year. The increase of estimated weighted average return rates will lead to the higher fair value of the financial products. If the estimated weighted average return rates had increased/decreased by 0.5% with all other variables held constant, the profit before income tax for the years ended December 31, 2019, 2020 and 2021, would have been approximately RMB 83,000, RMB 1,319,000 and RMB 818,000 higher/lower respectively.

(d) The Group's valuation processes

For the financial assets, including level 3 fair values, the Group's finance department performs the valuations. The finance department reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and finance department annually, in line with the Group's balance dates.

The valuation technique is discounted cash flows. Future cash flows are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

4. Critical estimates and judgments

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Current and deferred income tax

The Group is subject to income taxes in different areas in the PRC. Significant judgment is required in determining the provision for income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

5. Segment information

The Group is principally engaged in the production and sale of spicy snack food. Majority of the Group's revenue and business activities are conducted in the PRC.

For management purposes, the Group is organized into business units based on their products and has three reportable operating segments as follows:

By product type:

- Seasoned flour products, primarily comprising Big Latiao, Mini Latiao, Spicy Hot Stick, Mini Hot Stick and Kiss Burn.
- Vegetable products, primarily comprising Konjac Shuang and Fengchi Kelp.
- Bean-based and other products, primarily comprising Soft Tofu Skin, 78° Braised egg and meat products.

CODM monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit. No analysis of segment operating profit is presented as CODM does not regularly review such information for the purposes of resource allocation and performance assessment. Segment assets and liabilities are not presented as CODM reviews the assets and liabilities on a central basis. Therefore, only segment revenue and segment gross profit are presented.

5. Segment information (continued)

Segment revenue and results

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

	Seasoned flour products	Vegetable products	Bean-based and other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2019				
Revenue	2,474,574	664,959	245,233	3,384,766
Cost of sales	(1,554,565)	(417,385)	(158,513)	(2,130,463)
Gross profit	920,009	247,574	86,720	1,254,303
For the year ended December 31, 2020				
Revenue	2,690,287	1,167,541	262,529	4,120,357
Cost of sales	(1,678,125)	(709,239)	(167,328)	(2,554,692)
Gross profit	1,012,162	458,302	95,201	1,565,665
For the year ended December 31, 2021				
Revenue	2,918,039	1,664,120	218,041	4,800,200
Cost of sales	(1,871,077)	(1,000,717)	(135,375)	(3,007,169)
Gross profit	1,046,962	663,403	82,666	1,793,031

(a) Geographical information

Revenue from external customers broken down by location of the customers is shown in the table below:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
In PRC	3,384,766	4,120,357	4,780,404
Overseas	—	—	19,796
	3,384,766	4,120,357	4,800,200

Majority of the Group's identifiable assets and liabilities were located in PRC.

(b) Information about major customers

No revenue from a single customer accounted for 10% or more of the Group's revenue during the Track Record Period.

5. Segment information (continued)

(c) An analysis of revenue is as follows:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Sale of goods	3,384,766	4,120,357	4,800,200

The timing of the above revenue recognition is when the performance obligations of sales and delivery of goods are satisfied at a point in time.

The performance obligation is satisfied upon delivery of the goods and payment in advance is normally required, except for customers with credit terms up to 90 days. Some contracts provide customers with a right of return, volume rebates and co-advertising allowance which give rise to variable consideration.

(d) Assets and liabilities related to contracts with customers

The Group has recognized the following liabilities related to contracts with customers:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Contract liabilities	189,837	233,251	180,583

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Revenue recognized that was include in the contract liabilities balance at the beginning of the year			
Contract liabilities	102,374	189,837	233,251

The Group has no revenue contract that has an original expected duration more than one year, thus management applies practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of the reporting period.

6. Other income, net

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Government grants			
Related to income (a)	24,706	46,145	130,988
Related to assets (b) (Note 28)	426	3,260	3,525
Sale of scraps and raw materials			
Proceeds income related to scraps and raw materials	12,341	24,186	22,359
Cost related to scraps and raw materials	(2,325)	(14,750)	(6,197)
VAT reduction	—	—	1,991
	35,148	58,841	152,666

The government grants represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group in the PRC.

(a) The government grants and subsidies related to income have been received to reward for the contribution to the local economic growth. These grants related to income were recognized in the statement of profit or loss upon receipt of these rewards and the related conditions associated with the rewards, if any, met. There are no unfulfilled conditions or contingencies relating to these grants.

(b) The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognized in the statement of profit or loss over the useful lives of relevant assets. Details of these grants related to assets are set out in Note 28.

7. Other (losses)/gains, net

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss (Note 3.3)	13,978	36,597	27,416
Loss on disposal of property, plant and equipment	(7,990)	(2,901)	(1,647)
Donation	(620)	(1,660)	(11,695)
Gain on disposal of a subsidiary (a)	—	149	—
Loss on disposal of an investment accounted for using the equity method (b)	—	(1,677)	—
Net foreign exchange losses (Note 3.1)	(3)	(279)	(6,148)
Impairment of property, plant and equipment (Note 17)	(5,717)	—	—
Net impairment loss on other non-current assets	(1,175)	—	(76)
Others	(217)	1,198	3,865
	(1,744)	31,427	11,715

(a) In March 2020, the Group and a third party company (the "Investor") entered into an equity investment agreement, pursuant to which, the Investor agreed to inject share capital to Delong

7. Other (losses)/gains, net (continued)

Color Printing, then a wholly owned subsidiary of the Group, by RMB 31,500,000 and the Group agreed to inject share capital by RMB 3,500,000 in addition to its original registered share capital of RMB 10,000,000. Upon completion of the aforementioned share capital injections in April 2020, the Investor and the Group respectively held the equity interests of Delong Color Printing by 70% and 30% and accordingly, Delong Color Printing ceased to be a subsidiary of the Group (the "Deemed Disposal"). A gain of RMB 149,000 arose from the Deemed Disposal of Delong Color Printing. Cash and cash equivalents related to Delong Color Printing of RMB 8,155,000 incurred a net cash outflow due to the de-consolidation from the Group. In May 2020, the Group further disposed its remaining 30% equity interest to the Controlling Shareholders at a consideration of RMB 13,500,000 and gain or loss due to this disposal was negligible. Upon completion of the further disposal in May 2020, Delong Color Printing became a related party company on which the Controlling Shareholders had significant influence (Note 35).

(b) In June 2020, the Group disposed its 20% equity interest in Beijing Jindingsheng Microcredit Co., Ltd. (北京金鼎盛小額貸款股份有限公司) (Note 13) to a third-party buyer at a consideration of RMB 20,000,000. Upon disposal, the carrying amount of the equity investment was RMB 21,677,000 and the loss on disposal of an investment accounted for using the equity method was RMB 1,677,000.

8. Expense by nature

		For the year ended December 31,		
	Notes	2019	2020	2021
		RMB'000	RMB'000	RMB'000
Consumption of raw materials	*23*	1,701,103	2,005,514	2,440,908
Changes in inventories of finished goods, semi-finished goods, and goods in transit	*23*	(15,634)	(4,411)	(25,458)
Employee benefit expenses	*9*	464,664	624,711	786,998
Transportation expenses		127,314	149,382	170,722
Utilities		58,871	71,469	91,979
Promotion and advertising expenses		30,820	46,658	78,679
Other tax expenses		33,114	35,209	43,588
Depreciation and amortization	*17-19*	52,130	65,520	106,436
Traveling expenses		20,121	25,613	35,018
Repairs and maintenance		20,978	27,028	32,079
Office expenses		15,928	22,681	27,639
[REDACTED] expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Auditor's remuneration				
– Audit services		144	196	103
– Non-audit services		—	—	—
Expense relating to short-term leases (Note 18)		1,309	4,596	4,349
Others		38,165	50,140	63,350
Total cost of sales of goods, distribution and selling expenses and administrative expenses		2,549,932	3,126,763	3,886,892

9. Employee benefit expenses

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	387,308	520,214	613,679
Pension costs – defined contribution plans (a)	15,909	17,340	33,220
Welfare and other expenses	61,447	87,157	89,580
Share-based payment expenses (Note 10)	—	—	50,519
	464,664	624,711	786,998

Employee benefit expenses changed in the consolidated statements of profit or loss are as follow:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Cost of sales of goods	283,290	358,489	348,053
Distribution and selling expenses	93,479	135,094	220,478
Administrative expenses	87,895	131,128	218,467
	464,664	624,711	786,998

(a) Defined contribution plans

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2019, 2020 and 2021 include 2, 2 and 4 directors respectively, whose emoluments are reflected in the analysis shown in Note 36. Details of the emoluments of the remaining highest paid non-director individuals during the Track Record Period are set out as below:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	6,619	6,344	1,655
Pension costs – defined contribution plans	90	60	10
Welfare and other expenses	63	52	10
Share-based payment expenses	—	—	4,352
	6,772	6,456	6,027

9. Employee benefit expenses (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals		
	For the year ended December 31,		
	2019	2020	2021
Emolument bands (in HKD)			
HKD 2,000,001 – HKD 2,500,000	1	2	—
HKD 2,500,001 – HKD 3,000,000	2	1	—
HKD 7,000,001 – HKD 7,500,000	—	—	1
	3	3	1

10. Share-based payments

During the year ended December 31, 2021, to incentivize directors, senior management and employees, the RSU Scheme was approved and adopted by the Company. Shares of 41,389 were allotted and issued to for the purpose of the RSU Scheme.

On January 1, 2021, in exchange for employee services to the Group, 4,764 RSUs were granted to certain eligible persons selected by the Company(the "January 2021 Awards"). On and subject to the limitations and conditions of the RSU Scheme and the terms and conditions of the respective grant letter, the RSUs shall be vested as to 15%, 15%, 20%, 20%, 20% and 10% on January 1, 2022, 2023, 2024, 2025, 2026 and 2027 respectively.

As disclosed in Note 26, on March 31, 2021, the Company effected a 1,000 for 1 share split of its shares. Accordingly, the shares allotted and granted under the RSU Scheme were then equivalent to 41,389,000 shares and 4,764,000 shares, respectively.

On October 10, 2021, the Company granted an aggregate of 32,295,893 RSUs under the RSU Scheme to selected eligible participants with performance and service conditions at a nil consideration to incentivize them for the Group's future development (the "October 2021 Awards"). On and subject to the limitations and conditions of the RSU Scheme and the terms and conditions of the respective grant letter, the RSUs shall be vested in different proportions from 2022 to 2030.

Share-based payment expense relating to awards granted to employees is based on the grant date fair value of the RSUs is recognized, on a straight-line basis over the entire vesting period for each batch. The fair value of each RSUs at the grant dates are determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant. The grant date fair value of the underlying ordinary shares was determined with the assistance of an independent valuer. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interest of the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

10. Share-based payments (continued)

The table below sets forth share-based payments expenses for RSUs during the Track Record Periods:

	For the year ended December 31,		
	2019	2020	2021
RSUs	—	—	50,519

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
		RMB
Outstanding as at January 1, 2019, December 31, 2019, 2020 and 2021, and January 1, 2021	—	—
Granted during the year	37,059,893	8.94 to 11.01
Forfeited during the period	(746,355)	8.94 to 11.01
Outstanding as at December 31, 2021	36,313,538	8.94 to 11.01

As at December 31, 2021, a total of 217 employees (counted based on person-time) of the Group have been granted with a total of 37,059,893 RSUs and no RSUs become vested under the terms and conditions of the RSU Scheme.

11. Finance (costs)/income, net

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Finance income:			
Interests from bank	107	481	24,782
Finance costs:			
Interest expenses on bank borrowings	(3,591)	(9,070)	(9,730)
Finance costs on lease liabilities (Note 18)	(1,462)	(895)	(694)
Less: borrowing costs capitalized in property, plant and equipment (Note 17)	1,838	4,180	4,888
	(3,215)	(5,785)	(5,536)
Finance (costs)/income, net	(3,108)	(5,304)	19,246

(a) Capitalized borrowing costs

The capitalization rate used to determine the amount of borrowing costs to be capitalized is 4.57%, 4.37% and 3.93% applicable to the Group's general borrowings during the year December 31, 2019 ,2020 and 2021 , respectively.

12. Investments in subsidiaries

The main associate as listed below is held directly by the Group; the country of registration is also its principal place of business.

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	31,345	31,345	81,864

13. Investments accounted for using the equity method

The Group's associate is unlisted. The main associate as listed below is held directly by the Group; the country of registration is also its principal place of business.

Name of entity	Place of business/country of incorporation	% of ownership interest	Measurement method
Beijing Jindingsheng Microcredit Co., Ltd.(北京金鼎盛小額貸款股份有限公司)	Beijing, China	20%	Equity

Beijing Jindingsheng Microcredit Co., Ltd. provides microcredit services within the area limit of Beijing.

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Opening balance	22,039	22,395	—
Share of profits for the year	1,378	379	—
Dividends received	(1,022)	(1,097)	—
Disposal	—	(21,677)	—
Closing balance	22,395	—	—

(a) There are no contingent liabilities relating to the Group's interest in the associates.

13. Investments accounted for using the equity method (continued)

(b) Summarized financial information for the associate

The tables below provide summarized financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the Historical Financial Information of the relevant associate. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	**RMB'000**	**RMB'000**
Summarized balance sheet			
Current assets			
Cash and cash equivalents	36,321	—	—
Other current assets	76,147	—	—
Total current assets	112,468	—	—
Non-current assets	314	—	—
Current liabilities			
Financial liabilities	—	—	—
Other current liabilities	808	—	—
Total current liabilities	808	—	—
Net assets	111,974	—	—

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	**RMB'000**	**RMB'000**
Reconciliation to carrying amounts:			
Opening net assets at January 1	110,196	111,974	—
Profit for the year	6,888	1,894	—
Dividends declared	(5,110)	(5,485)	—
Disposal	—	(108,383)	—
Closing net assets	111,974	—	—
Group's share in %	20%	—	—
Group's share in RMB	22,395	—	—
Carrying amount	22,395	—	—
Revenue	12,730	3,508	—
Income tax expense	(2,296)	(228)	—
Profit for the year	6,888	1,894	—
Total comprehensive income	6,888	1,894	—
Dividends received from an associate	(1,022)	(1,097)	—

13. Investments accounted for using the equity method (continued)

(b) Summarized financial information for the associate (continued)

During the year ended December 31, 2020, the 20% equity interest in Beijing Jindingsheng Microcredit Co., Ltd was disposed. (Note 7)

14. Income tax expense

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Current tax			
Current tax on profits for the year	214,304	260,891	277,108
Deferred income tax			
Increase in deferred tax assets (Note 31)	(14,418)	(26,775)	(39,475)
Increase in deferred tax liabilities (Note 31)	8,523	25,457	32,270
Total deferred tax expense	(5,895)	(1,318)	(7,205)
Income tax expense	208,409	259,573	269,903

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory corporate income tax rate of 25% in the PRC during the Track Record Period is as follows:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Profit before income tax	866,508	1,078,337	1,096,632
Tax calculated at statutory tax rates applicable to each of the Group's entity	216,627	269,584	274,158
Tax effect of:			
Difference in tax rate	(391)	(1,278)	305
Share of net profit of associate accounted for using the equity method	(345)	(95)	—
Disposal loss of an investment accounted for using the equity method	—	420	—
Expenses not deductible for income tax purpose	136	230	3,312
Income not subject to tax	(5,656)	(5,312)	(9,957)
Additional deductible research and development expense	(2,980)	(3,673)	(417)
Withholding tax on unremitted earnings of PRC subsidiaries	500	—	—
Tax losses for which no deferred income tax assets were recognized	—	—	1,944
Other	518	(303)	558
	208,409	259,573	269,903

14. Income tax expense (continued)

(a) Cayman Islands Income Tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, is exempted from local income tax.

(b) British Virgin Islands profit tax

The Company's direct subsidiaries in the British Virgin Islands were incorporated under the BVI Companies Act, 2004 and accordingly, are exempted from British Virgin Islands income tax.

(c) Hong Kong profits tax

The taxation of the Group's subsidiaries in Hong Kong are calculated at 16.5% of the estimated assessable profits for the Track Record Period.

(d) PRC corporate income tax

Enterprises incorporated in the PRC are subject to income tax rates of 25% throughout the Track Record Period unless subject to tax exemption set out below.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20% during the Track Record Period.

Certain of the Group's PRC subsidiaries are engaged in agriculture and entitled to the tax exemption on agricultural products.

The income tax provision of the Group has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period based on existing legislations, interpretations and practices.

(e) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be 5%.

As of December 31, 2019, 2020 and 2021, the aggregate undistributed earnings of the Group's subsidiaries incorporated in the PRC are RMB 713,966,000, RMB 1,443,688,000 and RMB 2,114,122,000. As the Company has the ability to control the timing of the distribution from these

14. Income tax expense (continued)

(e) PRC Withholding Tax ("WHT") (continued)

subsidiaries and it has no intention to distribute such earnings to foreign entities in the foreseeable future, accordingly, despite an assessable temporary difference on such retained earnings exists, no deferred income tax liability has been recognized in the Historical Financial Information.

15. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year

	For the year ended December 31,		
	2019	**2020**	**2021**
Profit attributable to owners of the Company (RMB'000)	658,099	818,764	826,729
Weighted average number of outstanding ordinary shares (thousands)	1,990,000	1,990,000	2,036,295
Basic earnings per share (RMB)	0.33	0.41	0.41

During the year ended December 31,2021,no RSUs become vested under the terms and conditions of the RSU Scheme, so the effect of such shares held for RSU Scheme has not been taken into account in the calculation of basic earnings per share.

(b) Diluted

For each of the years ended December 31, 2019 and 2020, as the Company has no dilutive ordinary shares, dilutive earnings per share are the same as basic earnings per share. For year ended December 31, 2021, condition associated with the RSUs, in addition to the passage of time were not met, no contingently issuable shares would be included in diluted EPS, so the dilutive earnings per share are therefore the same as basic earnings per share.

16. Dividends

	For the year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	**RMB'000**	**RMB'000**
Dividends declared	—	1,416	595,989

16. Dividends (continued)

During the year ended December 31, 2020 and 2021, the resolution of the directors resolved to distribute dividends of RMB 1,416,000 and RMB 595,989,000, respectively.

The dividends paid during the year ended December 31, 2019, 2020 and 2021 were RMB 308,078,000, RMB 1,416,000, and RMB 595,989,000, respectively, which included dividends of RMB 308,078,000 declared during the year ended December 31, 2018.

17. Property, plant and equipment

	Buildings	Machinery	Vehicles	Furniture and office equipment	Electronic equipment	Building improvement and decoration	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount as at January 1, 2019	39,012	154,146	5,006	16,307	2,372	33,790	24,818	275,451
Additions	2,804	15,897	6,641	7,468	444	5,282	113,380	151,916
Transfers upon completion	1,259	16,020	—	—	—	6,691	(23,970)	—
Disposals	—	(8,984)	(2,341)	(1,028)	—	—	—	(12,353)
Depreciation (Note 8)	(3,726)	(16,073)	(2,714)	(4,090)	(1,145)	(10,408)	—	(38,156)
Impairment (Note 7)	—	(5,717)	—	—	—	—	—	(5,717)
Net book amount as at December 31, 2019	39,349	155,289	6,592	18,657	1,671	35,355	114,228	371,141
As at December 31, 2019								
Cost	51,997	214,376	9,752	26,539	3,891	56,916	114,228	477,699
Accumulated depreciation	(12,648)	(50,214)	(3,160)	(7,882)	(2,220)	(21,561)	—	(97,685)
Impairment	—	(8,873)	—	—	—	—	—	(8,873)
Net book amount	39,349	155,289	6,592	18,657	1,671	35,355	114,228	371,141
Net book amount as at January 1, 2020	39,349	155,289	6,592	18,657	1,671	35,355	114,228	371,141
Additions	23,282	86,770	4,423	23,345	2,746	18,032	207,607	366,205
Transfers upon completion	71,971	15,999	—	—	—	2,272	(90,242)	—
Disposals	(17)	(2,583)	(29)	(1,188)	(59)	—	—	(3,876)
Disposals-Subsidiary	(194)	(16,122)	(80)	(28)	(189)	(1,945)	(872)	(19,430)
Depreciation (Note 8)	(5,227)	(21,620)	(2,544)	(4,673)	(1,674)	(14,780)	—	(50,518)
Net book amount as at December 31, 2020	129,164	217,733	8,362	36,113	2,495	38,934	230,721	663,522
As at December 31, 2020								
Cost	145,088	276,102	12,184	47,217	5,901	59,896	230,721	777,109
Accumulated depreciation	(15,924)	(58,369)	(3,822)	(11,104)	(3,406)	(20,962)	—	(113,587)
Net book amount	129,164	217,733	8,362	36,113	2,495	38,934	230,721	663,522

17. Property, plant and equipment (continued)

	Buildings	Machinery	Vehicles	Furniture and office equipment	Electronic equipment	Building improvement and decoration	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount as at January 1, 2021	129,164	217,733	8,362	36,113	2,495	38,934	230,721	663,522
Additions	10,539	49,510	2,746	34,104	3,850	25,221	272,825	398,795
Transfers upon completion	138,220	101,028	—	—	—	47,827	(287,075)	—
Disposals	(12)	(2,020)	(1,716)	(391)	(1)	(1,745)	—	(5,885)
Depreciation (Note 8)	(12,881)	(34,641)	(3,115)	(10,199)	(1,551)	(29,596)	—	(91,983)
Net book amount as at December 31, 2021	265,030	331,610	6,277	59,627	4,793	80,641	216,471	964,449
As at December 31, 2021								
Cost	293,731	421,743	12,586	79,614	9,660	129,404	216,471	1,163,209
Accumulated depreciation	(28,701)	(90,133)	(6,309)	(19,987)	(4,867)	(48,763)	—	(198,760)
Net book amount	265,030	331,610	6,277	59,627	4,793	80,641	216,471	964,449

Depreciation on property, plant and equipment of the Group is analyzed as follows:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Cost of sales of goods	30,685	41,232	65,001
Administrative expenses	7,409	9,091	26,691
Distribution and selling expenses	62	195	291
Total	38,156	50,518	91,983

(a) Construction-in-progress as at December 31, 2019, 2020 and 2021 mainly comprised of buildings being constructed in the PRC.

(b) The Group has capitalized borrowing costs amounting to RMB 1,838,000, RMB 4,180,000 and RMB 4,888,000 on qualifying assets during the year ended December 31, 2019, 2020 and 2021 (Note 11). The weighted average rate capitalization rate were 4.57%, 4.37% and 3.93% for the year ended December 31, 2019, 2020 and 2021.

(c) Refer to Note 30 and Note 34 for information on non-current assets pledged as security by the Group.

(d) As at December 31, 2019, 2020 and 2021, the carrying amount of buildings without building ownership certificates was RMB 1,082,000, RMB 1,010,000 and RMB 939,000 respectively. The Group is in the process to obtain the certificates.

18. Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Right-of-use assets			
Land-use-rights	58,954	169,442	165,874
Buildings	29,250	19,456	15,329
	88,204	188,898	181,203
Lease liabilities			
Current	(8,501)	(6,372)	(7,545)
Non-current	(17,311)	(11,110)	(7,170)
	(25,812)	(17,482)	(14,715)

(i) Additions of the right-of-use assets during the year ended December 31, 2019, 2020 and 2021 were RMB 3,076,000, RMB 119,498,000 and RMB 5,571,000, respectively.

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

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets			
Land-use-rights	(1,245)	(2,858)	(3,568)
Buildings	(10,460)	(9,832)	(9,128)
	(11,705)	(12,690)	(12,696)
Interest expense (included in finance cost) (Note 11)	1,462	895	694
Expense relating to short-term leases (included in cost of goods sold, distribution and selling expenses and administrative expenses) (Note 8)	1,309	4,596	4,349

The total cash outflow for leases for the years ended December 31, 2019, 2020 and 2021 were RMB 11,939,000, RMB 14,116,000 and RMB 12,444,000 respectively.

(c) The Group's leasing activities and how these are accounted for

The Group lease factory, office buildings, warehouse and equipment. Rental contracts are typically made for fixed periods of 17 months to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease

18. Leases (continued)

(c) The Group's leasing activities and how these are accounted for (continued)

agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

(d) The carrying value of right-of-use assets related to land-use-right purchased from the government of RMB 58,954,000, RMB 169,442,000, RMB 165,874,000 as at December 31, 2019, 2020 and 2021, has 50 years useful lives stated in the relevant land-use-right certificates. All the Group's land-use-rights are located in the PRC.

(e) Refer to Note 30 and Note 34 for information on land-use-right pledged as security by the Group.

19. Intangible assets

	Software
	RMB'000
Net book amount as at January 1, 2019	5,598
Additions	387
Amortization (Note 8)	(2,269)
Net book amount as at December 31, 2019	3,716
As at December 31, 2019	
Cost	7,105
Accumulated amortization	(3,389)
Net book amount	3,716
Net book amount as at January 1, 2020	3,716
Additions	281
Amortization (Note 8)	(2,312)
Net book amount as at December 31, 2020	1,685
As at December 31, 2020	
Cost	7,386
Accumulated amortization	(5,701)
Net book amount	1,685
Net book amount as at January 1, 2021	1,685
Additions	9,812
Amortization (Note 8)	(1,757)
Net book amount as at December 31, 2021	9,740
As at December 31, 2021	
Cost	17,198
Accumulated amortization	(7,458)
Net book amount	9,740

19. Intangible assets (continued)

Amortization of intangible assets of the Group is analyzed as follows:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Administrative expenses (Note 8)	2,269	2,312	1,757

20. Financial instruments by category

The Group holds the following financial instruments:

		As at December 31,		
		2019	2020	2021
	Notes	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortized cost				
– Trade and other receivables	*21*	28,320	46,657	69,884
– Cash and cash equivalents	*24*	88,994	161,740	494,275
– Restricted cash	*24*	1,553	12,106	294
– Term deposits with initial term over three months	*25*	—	166,133	1,720,671
Financial assets at fair value through profit or loss				
– Wealth management products	*3.3*	303,240	586,497	454,882
– Structured deposit	*3.3*	155,324	305,792	220,274
– Investment in fund management products	*3.3*	—	—	126,947
		577,431	1,278,925	3,087,227

		As at December 31,		
		2019	2020	2021
	Notes	RMB'000	RMB'000	RMB'000
Financial liabilities				
Financial liabilities at amortized cost				
– Trade and other payables	*3.1*	244,479	257,330	355,790
– Lease liabilities	*18*	25,812	17,482	14,715
– Borrowings	*30*	137,720	393,366	460,112
		408,011	668,178	830,617

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at each end of the Track Record Period is the carrying amount of each class of financial assets mentioned above.

21. Trade, other receivables and prepayments

(i) Trade, other receivables and prepayments of the Group

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Trade receivables:			
Receivables from third parties	18,615	40,744	56,552
Loss allowance (Note 3.1)	—	—	(429)
	18,615	40,744	56,123
Other receivables:			
Deposits	4,464	4,953	11,234
Proceeds receivable from sale of property, plant and equipment	3,018	—	1,400
Loans to third parties (d)	1,500	800	400
Others	923	960	1,201
Loss allowance (Note 3.1)	(200)	(800)	(474)
	9,705	5,913	13,761
Prepayments:			
Prepayments for raw materials	57,877	125,338	37,800
Prepayments for services	5,062	6,496	42,281
Input VAT recoverable	45,573	68,286	159,373
Prepayment for income tax	—	—	4,946
Prepayments for **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	108,512	200,120	249,123
	136,832	246,777	319,007

(ii) Trade, other receivables and prepayments of the Company

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Other receivables:			
Amounts due from related parties	—	—	882,208
Prepayments:			
Prepayments for **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Prepayments for services	—	—	2,453
	—	—	7,176
	—	—	889,384

(a) Due to the short-term nature of the current receivables, their carrying amount is considered to be approximate their fair value.

21. Trade, other receivables and prepayments (continued)

(b) Trade receivables primarily arise from credit sales of products. The Group usually deliver products to distributors after they have made the payment, while for direct sale customers, credit period is granted. The credit terms are generally up to 90 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing. All the trade receivables of the Group are from third parties.

As at December 31, 2019, 2020 and 2021, the aging analysis of the trade receivables based on invoice date were as follows:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Within 90 days	15,751	35,681	52,312
91-180 days	2,864	5,063	4,240
	18,615	40,744	56,552

(c) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables. The loss allowance for trade receivables at amortized cost was not material during the year ended December 31, 2019, 2020 and 2021. Note 3.1(b) provides for details about the calculation of the allowance.

(d) Loans to third parties were unsecured, interest-free and repaid on demand.

22. Other non-current assets

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Prepayments to suppliers of property, plant and equipment	60,387	53,488	47,016
Prepayments to suppliers of intangible assets	—	—	5,386
	60,387	53,488	52,402

23. Inventories

Our inventories include raw materials and packaging materials, finished goods, work in progress and goods in transit, with raw materials and packaging materials being the major component.

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Raw materials and packaging materials	353,195	491,252	529,538
Finished goods and Goods in transit	39,283	43,727	69,467
Semi-finished goods	428	395	113
Low-value consumption goods	7,024	5,652	5,137
	399,930	541,026	604,255

The costs of individual items of inventory are determined using weighted average costs.

The cost of inventories recognized as an expense and included in cost of sales for each of the years ended December 31, 2019, 2020 and 2021 amounted to RMB 1,701,103,000, RMB 2,005,514,000 and RMB 2,440,908,000, respectively (Note 8).

24. Cash and cash equivalents and Restricted cash

(i) Cash and cash equivalents and Restricted cash of the Group

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents:			
Cash on hand			
– RMB	13	—	—
Cash at bank and other major licensed payment institution			
– RMB	88,978	122,693	178,472
– USD	3	39,047	315,634
– HKD	—	—	169
	88,994	161,740	494,275
Restricted cash (b)			
– RMB	1,553	10,914	—
– USD	—	1,192	294
	1,553	12,106	294

24. Cash and cash equivalents and Restricted cash (continued)

(ii) Cash and cash equivalents and Restricted cash of the Company

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents:			
Cash at bank and other major licensed payment institution			
- RMB			8
- USD	—	—	178,559
- HKD	—	—	183
	—	—	178,750

(a) Cash at bank and other major licensed payment institutions can be redeemed by the company within a short-term.

(b) As at December 31, 2019, 2020 and 2021, the restricted cash were held as the guarantee deposits for letter of credit issued by the bank.

(c) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at each end of the Track Record Period as follows:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Balances as above	88,994	161,740	494,275
Balances per statement of cash flows (Note 32)	88,994	161,740	494,275

25. Term deposits with initial term over three months

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Current assets			
Term deposits with initial term over three months			
– RMB	—	20,034	—
– USD	—	36,099	766,331
	—	56,133	766,331
Non-current assets			
Term deposits with initial term over three months			
– RMB	—	110,000	954,340
	—	166,133	1,720,671

25. Term deposits with initial term over three months (continued)

The carrying amounts of term deposits with initial term over three months approximated their fair values, since the interest receivables on these term deposits with initial term over three months is either close to current market rates or the term deposits with initial term over three months are of a short-term nature.

The term deposits with initial term over three months that denominated in RMB were at the fixed interest rate ranged from 3.55% to 4.18% per annum.

The term deposits with initial term over three months that denominated in USD were at a fixed interest rate ranged from 0.55% to 0.95% per annum.

26. Share capital

The Company

	Number of ordinary shares	Nominal value of ordinary shares
		USD
Authorized shares of USD 0.01 as at July 6, 2018	5,000,000	50,000
Authorized shares of USD 0.00001 as at March 31, 2021	5,000,000,000	50,000

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		USD	RMB
Issued:			
Issuance of shares upon incorporation of the Company	10,000	100	663
At January 1, 2019, December 31, 2019 and 2020	10,000	100	663
At January 1, 2021	10,000	100	663
Issuance of ordinary shares upon the RSU Scheme	41,389	414	2,701
Share split	51,337,611	—	—
Issuance of ordinary shares for the Controlling Shareholders	1,980,000,000	19,800	130,112
Issuance of ordinary shares upon the Pre-**[REDACTED]** Investments	122,446,014	1,224	8,046
Repurchase of shares from the Controlling Shareholders upon the Pre-**[REDACTED]** Investments	(61,223,007)	(612)	(4,023)
At December 31, 2021	2,092,612,007	20,926	137,499

26. Share capital (continued)

The Company (continued)

The movement of paid in share capital is shown in the table below:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
As at January 1	—	—	—
Proceeds from shares issued	—	—	137
As at December 31	—	—	137

On March 31, 2021, the Company effected a 1,000 for 1 share split and issued 1,980,000,000 ordinary shares to the Controlling shareholders at par value. Information relating to the shares is set out in Note 27.

27. Other reserves

The Group

	Share Premium (a)	Capital reserves (b)	Statutory surplus reserves (c)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	(1,032)	31,917	—	—	(1)	30,884
Profit appropriation to statutory surplus reserves	—	—	49,482	—	—	—	49,482
Deemed contribution from the Controlling Shareholders for shares transfer in connection with the Reorganization.	—	20,000	—	—	—	—	20,000
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	—	(20,713)	—	—	—	—	(20,713)
As at December 31, 2019	—	(1,745)	81,399	—	—	(1)	79,653

27. Other reserves (continued)

The Group (continued)

	Share Premium (a)	Capital reserves (b)	Statutory surplus reserves (c)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2019	—	(1,745)	81,399	—	—	(1)	79,653
Profit appropriation to statutory surplus reserves	—	—	86,146	—	—	—	86,146
Currency translation differences	—	—	—	—	—	765	765
As at December 31, 2020	—	(1,745)	167,545	—	—	764	166,564
Profit appropriation to statutory surplus reserves	—	—	68,160	—	—	—	68,160
Capital injection	3,600,554	—	—	—	—	—	3,600,554
Repurchased of shares in connection with Pre-**[REDACTED]** Investments	(1,802,065)	—	—	—	—	—	(1,802,065)
Dividends declared	(560,000)	—	—	—	—	—	(560,000)
Share-based compensation	—	—	—	50,519	—	—	50,519
Currency translation differences	—	—	—	—	—	(42,217)	(42,217)
Treasury shares held for the RSU scheme	—	—	—	—	(3)	—	(3)
As at December 31, 2021	1,238,489	(1,745)	235,705	50,519	(3)	(41,453)	1,481,512

27. Other reserves (continued)

The Company

	Share Premium (a)	Capital reserves (b)	Share-based payment reserves (d)	Shares held for RSU Scheme (e)	Currency translation differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	31,345	—	—	—	31,345
Deemed distribution to the Controlling Shareholders for shares transfer in connection with the Reorganization	—	(713)	—	—	—	(713)
As at December 31, 2019	—	30,632	—	—	—	30,632
Currency translation differences	—	—	—	—	(1)	(1)
As at December 31, 2020	—	30,632	—	—	(1)	30,631
Capital injection	3,600,554	—	—	—	—	3,600,554
Repurchased of shares in connection with Pre-**[REDACTED]** Investments	(1,802,065)	—	—	—	—	(1,802,065)
Dividends declared	(560,000)	—	—	—	—	(560,000)
Share-based compensation	—	—	50,519	—	—	50,519
Currency translation differences	—	—	—	—	(43,048)	(43,048)
Treasury shares held for the RSU scheme	—	—	—	(3)	—	(3)
As at December 31, 2021	1,238,489	30,632	50,519	(3)	(43,049)	1,276,588

(a) Share premium

In March 2021, certain Pre-**[REDACTED]** investors entered into a share purchase agreement with HH Global Capital and the Company (the "Share Purchase Agreement") , pursuant to which the Pre-**[REDACTED]** investors purchased 122,446,014 newly issued ordinary shares of the Company, and the Company repurchased 61,223,007 ordinary shares of the Company from HH Global Capital. As a result, in essence the Pre-**[REDACTED]** investors subscribed for 61,223,007 newly issued ordinary shares of the Company at a consideration of USD 274,500,000 and purchased 61,223,007 ordinary shares of the Company from HH Global Capital at a consideration of USD 274,500,000. The consideration paid by the Pre-**[REDACTED]** investors was settled on April 1, 2021. The repurchasing of shares from Controlling shareholders was settled on April 2, 2021.

27. Other reserves (continued)

The Company (continued)

(b) Capital reserves

As described in Note 1.2, on September 5, 2018, Luohe Hehe, Shanghai Jiafeng and Qorghas Liushi entered into a share transfer agreement, pursuant to which Shanghai Jiafeng and Qorghas Liushi transferred 90% shares and 9% shares of Weilong Commerce to Luohe Hehe at considerations of RMB 28,211,000 and RMB 2,821,000 respectively.

As described in Note 1.2, on January 22, 2019, Luohe Weilong Technology was incorporated in PRC by the Controlling Shareholders with a registered capital of RMB 20,000,000. On June 24, 2019, Weilong Commerce and the Controlling Shareholders entered into a share transfer agreement, pursuant to which the Controlling Shareholders transferred the entire shares of Luohe Weilong Technology to Weilong Commerce at a consideration of RMB 20,000,000.

As described in Note 1.2, on August 6, 2018, EFeng Investment entered into a share transfer agreement with Qorghas Liushi pursuant to which, EFeng Investment agreed to purchase and Qorghas Liushi agreed to sell the 1% equity interest of Weilong Commerce (the "Original Share Transfer"). To supplement to the Original Share Transfer, EFeng Investment, its ultimate individual owner and Qorghas Liushi also entered into a supplemental agreement, pursuant to which, Qorghas Liushi or its designated affiliate would have a right to repurchase the 100% equity interest of EFeng Capital, EFeng Investment and the 1% equity interest of Weilong Commerce at a transfer consideration of approximately RMB 713,000 within one year from date of the Original Share Transfer. On July 4, 2019, the individual owner transferred the 100% equity interest of EFeng Capital to the Company at a consideration of approximately RMB 713,000. The consideration was subsequently paid in January 2021.

(c) Statutory surplus reserves

In accordance with the relevant laws and regulations of the PRC, when distributing the net profit of each year, the Group shall set aside 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the paid-in capital).

Statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

(d) Share-based payments

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2.21 (d). Information relating to the share-based payments is set out in Note 10.

27. Other reserves (continued)

The Company (continued)

(e) Shares held for RSU Scheme

As described in Note 10, during the year ended December 31, 2021, to incentivize directors, senior management and employees, the RSU Scheme was approved and adopted by the Company. Shares of 41,389 (equivalent to 41,389,000 shares after share split) amounted to RMB 3,000 were allotted and issued to for the purpose of the RSU Scheme.

28. Deferred income

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Beginning of the year	—	13,945	117,662
Government grants received	14,371	106,977	50,065
Transfers to other income (Note 6)	(426)	(3,260)	(3,525)
Offset with property, plant and equipment	—	—	(3,886)
End of the year	13,945	117,662	160,316

29. Trade and other payables

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Trade payables:			
– Third parties	160,201	146,608	177,542
– Related parties (Note 35)	—	9,234	20,350
	160,201	155,842	197,892
Other payables:			
Salary and welfare payables	127,696	171,550	213,883
Amounts due to related parties (Note 35)	2,366	2,338	260
Deposits payables	23,107	23,158	53,667
Freight charges payables	24,707	25,099	22,169
Payables for purchase of property, plant and equipment	17,040	35,661	49,768
Tax payable	12,609	12,473	6,905
VAT payable related to contract liabilities	16,604	20,761	17,277
Utilities payables	6,435	6,068	9,234
Others	10,623	9,164	22,800
	241,187	306,272	395,963
	401,388	462,114	593,855

29. Trade and other payables (continued)

The aging analysis of the trade payables based on invoice date are as follows:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Within 90 days	160,201	155,842	197,892

The carrying amounts of trade and other payables are considered to be approximately their fair values, due to their short-term nature.

30. Borrowings

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Included in current liabilities:			
Secured borrowings from bank	100,000	320,000	396,112
Unsecured borrowings from the companies controlled by the Controlling Shareholders (Note 35)	37,720	73,366	—
	137,720	393,366	396,112
Included in non-current liabilities:			
Secured borrowings from bank	—	—	64,000

(a) The weighted average effective interest rates (per annuum) at year ended December 31, 2019, 2020 and 2021 are set out as follows:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Borrowings from bank	4.57%	3.41%	3.02%
Unsecured borrowings from the companies controlled by the Controlling Shareholders	—	—	—

(b) Secured bank loans of the Group which were guaranteed and pledged are set out below:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Guaranteed & pledged	100,000	100,000	64,000
Guaranteed	—	220,000	396,112
	100,000	320,000	460,112

30. Borrowings (continued)

(b) Secured bank loans of the Group which were guaranteed and pledged are set out below (continued):

Borrowings from bank of the Group as at December 31, 2019 and 2020 were guaranteed by the Controlling Shareholders (Note 35) or pledged by buildings and land-use-right held by a subsidiary of the Company (Note 34). Borrowings from bank of the Group as at December 31, 2021 were guaranteed by subsidiaries of the Company or pledged by land-use-right held by a subsidiary of the Company (Note 34).

(c) The maturity date of the borrowings were analyzed as follows：

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year			
– RMB	137,720	327,718	396,112
– USD	—	65,648	—
Between 1 and 2 years			
– RMB	—	—	50
Between 2 and 5 years			
– RMB	—	—	63,950
	137,720	393,366	460,112

(d) The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(e) The Group's borrowings from the companies controlled by the Controlling Shareholders are interest free. The borrowings from banks are all at fixed rate during the Track Record Period, except for letter of credit of RMB 20,000,000 which is interest free. Details of the Group's exposure to risks arising from current borrowings are set out in Note 3.

(f) The Group has complied with the financial covenants of its borrowing during the Track Record Period and as of the date of this accountant's report.

31. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets and liabilities balance as at December 31, 2019, 2020 and 2021 are as follows:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Deferred income tax assets:			
– to be recovered after more than 12 months	23,378	46,627	68,842
– to be recovered within 12 months	10,174	11,706	28,966
	33,552	58,333	97,808
Set-off of deferred tax liabilities pursuant to set-off provisions	(21,410)	(45,504)	(55,618)
Net deferred tax assets	12,142	12,829	42,190
Deferred income tax liabilities:			
– to be recovered after more than 12 months	(24,352)	(46,150)	(75,784)
– to be recovered within 12 months	(8,730)	(10,860)	(13,496)
	(33,082)	(57,010)	(89,280)
Set-off of deferred tax liabilities pursuant to set-off provisions	21,410	45,504	55,618
Net deferred tax liabilities	(11,672)	(11,506)	(33,662)

Movements in deferred income tax assets and deferred income tax liabilities during the Track Record Period are as follows:

Deferred income tax assets	Impairment of assets	Tax losses	Lease liabilities	Accruals	Unrealized profits	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	839	1,884	7,955	7,531	925	—	19,134
Credited/(charged) to profit or loss (Note 14)	1,429	1,432	(1,558)	9,619	3,496	—	14,418
As at December 31, 2019	2,268	3,316	6,397	17,150	4,421	—	33,552
(Charged)/credited to profit or loss (Note 14)	(2,068)	17,198	(1,582)	11,555	1,672	—	26,775
Disposal of a subsidiary	—	(230)	(1,464)	(300)	—	—	(1,994)
As at December 31, 2020	200	20,284	3,351	28,405	6,093	—	58,333
Credited/(charged) to profit or loss (Note 14)	26	1,446	168	14,880	(3,466)	26,421	39,475
As at December 31, 2021	226	21,730	3,519	43,285	2,627	26,421	97,808

31. Deferred income tax assets and deferred income tax liabilities (continued)

Deferred income tax liabilities	Withholding tax on unremitted earnings of PRC subsidiaries	Accelerated tax depreciation	Right-of-use assets	Unrealized investment income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	—	(15,438)	(9,121)	—	(24,559)
(Charged)/credited to profit or loss (Note 14)	(500)	(8,280)	1,864	(1,607)	(8,523)
As at December 31, 2019	(500)	(23,718)	(7,257)	(1,607)	(33,082)
Credited/(charged) to profit or loss (Note 14)	500	(26,940)	1,882	(899)	(25,457)
Disposal of a subsidiary	—	—	1,529	—	1,529
As at December 31, 2020	—	(50,658)	(3,846)	(2,506)	(57,010)
(Charged)/credited to profit or loss (Note 14)	—	(30,563)	176	(1,883)	(32,270)
As at December 31, 2021	—	(81,221)	(3,670)	(4,389)	(89,280)

32. Cash flow information

(a) Cash generated from operations

	Notes	For the year ended December 31, 2019	2020	2021
		RMB'000	RMB'000	RMB'000
Profit before income tax		866,508	1,078,337	1,096,632
Adjustments for:				
Net impairment losses on property, plant and equipment and other non-current assets	7	6,892	—	76
Depreciation of property, plant and equipment	17	38,156	50,518	91,983
Amortization of intangible assets	19	2,269	2,312	1,757
Amortization of right-of-use assets	18	11,705	12,690	12,696
Loss on disposal of property, plant and equipment	7	7,990	2,901	1,647
Gain on disposal of right-of-use assets		—	—	(367)
Fair value gains on financial assets at fair value through profit or loss	7	(13,978)	(36,597)	(27,416)
Share of net profit of an associate accounted for using the equity method	13	(1,378)	(379)	—
Other income transferred from deferred income	28	(426)	(3,260)	(3,525)
Finance (income)/costs, net	11	3,108	5,304	(19,246)
Impairment losses on financial assets	3.1	—	600	303
Loss on disposal of an investment accounted for using the equity method	7	—	1,677	—
Gain on disposal of a subsidiary	7	—	(149)	—
Non-cash employee benefits expense—share based payments	9	—	—	50,519
Net foreign exchange losses		—	1,244	6,148

32. Cash flow information (continued)

(a) Cash generated from operations (continued)

	Notes	For the year ended December 31, 2019	2020	2021
		RMB'000	RMB'000	RMB'000
Change in operating assets and liabilities:				
(Increase)/Decrease in restricted cash		(1,553)	(10,553)	11,812
Increase in trade, other receivables and prepayments		(44,509)	(127,295)	(55,667)
Increase in inventories		(93,759)	(149,998)	(63,229)
Increase/(Decrease) in contract liabilities	5	87,463	43,414	(52,668)
Increase in trade and other payables		90,485	82,495	118,348
Cash generated from operations		958,973	953,261	1,169,803

(b) Reconciliation of liabilities from financing activities

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

	Notes	For the year ended December 31, 2019	2020	2021
		RMB'000	RMB'000	RMB'000
Cash and cash equivalents	24	88,994	161,740	494,275
Financial assets at fair value through profit or loss	20	458,564	892,289	802,103
Restricted cash	24	1,553	12,106	294
Term deposits with initial term over three months	25	—	166,133	1,720,671
Borrowings	30	(137,720)	(393,366)	(460,112)
Lease liabilities	18	(25,812)	(17,482)	(14,715)
Net cash		385,579	821,420	2,542,516
Cash and liquid investments		549,111	1,232,268	3,017,343
Gross debt-fixed interest rates		(163,532)	(410,848)	(474,827)
Net cash		385,579	821,420	2,542,516

	Liabilities from financing activities: Borrowings	Leases liabilities	Total
	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2019	(38,167)	(31,904)	(70,071)
Cash flows	(99,553)	10,630	(88,923)
Additions	—	(3,076)	(3,076)
Accrual interest	—	(1,462)	(1,462)
Net debt as at December 31, 2019	(137,720)	(25,812)	(163,532)

32. Cash flow information (continued)

(b) Reconciliation of liabilities from financing activities (continued)

	Liabilities from financing activities		
	Borrowings	Leases liabilities	Total
	RMB'000	RMB'000	RMB'000
Cash flows	(255,646)	9,520	(246,126)
Additions	—	(6,152)	(6,152)
Accrual interest	—	(895)	(895)
Disposal	—	5,857	5,857
Net debt as at December 31, 2020	(393,366)	(17,482)	(410,848)
Cash flows	(70,634)	8,095	(62,539)
Additions	—	(5,571)	(5,571)
Accrual interest	3,888	(694)	3,194
Disposal	—	937	937
Net debt as at December 31, 2021	(460,112)	(14,715)	(474,827)

33. Commitments

(a) Capital commitments

The Group has the following significant capital commitments not provided for as at December 31, 2019, 2020 and 2021 respectively.

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	64,161	58,529	141,706

(b) Non-cancellable short-term leases and low-value leases

The Group leases various offices, warehouses, buildings and manufacturing equipment under non-cancellable leases contracts.

The Group has recognized right-of-use assets for leases, other than short-term and low-value leases, see Note 18 for further information. The commitment about short-term lease and low-value lease were as following:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Within 1 year	4,596	1,945	1,945

34. Assets pledged as security

The carrying amounts of assets pledged as security for current borrowings are:

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Land–use–right	5,802	5,647	68,723
Buildings	18,727	17,639	—
	24,529	23,286	68,723

35. Related party transaction

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors of the company, the related party transactions were carried out in normal course of business and at terms negotiated between the Group and the respective related parties.

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Names and relationships with related parties

Name of the related parties	Nature of relationship
Mr. Liu Weiping (劉衛平) & Mr. Liu Fuping (劉福平)	The Controlling Shareholders, directors of the Board
Qorghas Liushi Equity Investment LLP (霍爾果斯劉氏股權投資合夥企業(有限合夥))	A company controlled by the Controlling Shareholders
Shanghai Jiafeng Industrial Co., Ltd. (上海市嘉烽實業有限責任公司)	A company controlled by the Controlling Shareholders
Zhumadian Pingping Limited (駐馬店市平平食品有限公司)	A company controlled by the Controlling Shareholders
Luohe Delong Color Printing Development Co., Ltd. (漯河市德龍彩印發展有限公司)	A company significant influenced by the Controlling Shareholders
HH Global Capital Ltd (和和全球資本有限公司)	A shareholder of the Company

Delong Color Printing became a related party company on which the Controlling Shareholders had significant influence since May 2020 (Note 7).

35. Related party transaction (continued)

On June 18, 2021, Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership), (the "Shanghai Hongluo") entered into a share transfer agreement with HH Global Capital (the "Share Transfer Agreement"), pursuant to which the Shanghai Hongluo purchased 24,533,810 ordinary shares of the Company from HH Global Capital at the aggregate consideration of US$110,000,000. The consideration paid by the Shanghai Hongluo was settled on June 26, 2021. As at December 31, 2021, approximately 91% ordinary shares are hold by the HH Global Capital.

* The English name of certain companies referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

(a) Amounts due to the Controlling shareholders

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Beginning of the year	—	713	714
Deemed contribution from the Controlling shareholders (Note 27)	(20,000)	—	—
Deemed distribution to the Controlling shareholders (Note 27)	20,713	—	—
Cash paid in relation to deemed distribution to the Controlling shareholders	—	—	—
Repayment to the controlling shareholder	—	—	(671)
Currency translation differences	—	1	(43)
End of the year	713	714	—

During the Track Record Period, amounts due to the Controlling Shareholders is unsecured, interest free and no appointed repayment date.

(b) Guarantees for borrowings

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Borrowings guaranteed by the Controlling Shareholders (Note 30)	100,000	320,000	—

Subsequent to December 31, 2020, the guarantees for borrowings by the Controlling Shareholders was released.

35. Related party transaction (continued)

(c) Borrowings from the companies controlled by the Controlling Shareholders

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Beginning of the year	38,167	37,720	73,366
Borrowings received	7,912	66,648	—
Repayments of borrowings	(8,359)	(31,002)	(73,366)
End of the year (Note 30)	37,720	73,366	—

During the Track Record Period, borrowings from the companies controlled by the Controlling Shareholders are unsecured, interest free and payment on demand.

(d) Transactions with related parties

Other than those related party transactions with Controlling Shareholders as disclosed in elsewhere in this Historical Financial Information, during the Track Record Period, the Group had the following significant transactions with other related parties.

	2019	2020	2021
	RMB'000	RMB'000	RMB'000
– Zhumadian Pingping Limited			
Purchase raw materials and machinery	390	78	—
Purchase utilities service	10,435	8,881	4,262
Property leasing	2,068	2,073	2,410
	12,893	11,032	6,672
– Delong Color Printing			
Purchase packaging products	—	61,474	125,851

(e) Outstanding balances in relation with transactions with related parties

	As at December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Balances due to related parties			
– Zhumadian Pingping Limited	1,653	1,624	260
– Delong Color Printing	—	9,234	20,350
	1,653	10,858	20,610

As of December 31, 2019, 2020 and 2021, the above outstanding balances were related to the transactions as disclosed in Note 35 (d).

35. Related party transaction (continued)

(f) Key management personnel compensation

Key management compensation for the Track Record Period, other than those relating to the emoluments of the directors of the Company being disclosed in Note 36, are set out below:

	For the year ended December 31,		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	23,693	25,805	24,634
Contributions to pension plans	180	120	224
Welfare and other expenses	126	102	213
Share-based payment expenses	—	—	30,146
	23,999	26,027	55,217

36. Benefits and interests of directors

(a) Directors' emoluments

For the year ended December 31, 2019	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Weiping Liu (劉衛平)	—	8,741	—	—	30	21	8,792
Mr. Fuping Liu (劉福平)	—	8,741	—	—	30	21	8,792
	—	17,482	—	—	60	42	17,584

For the year ended December 31, 2020	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Weiping Liu (劉衛平)	—	9,360	—	—	20	17	9,397
Mr. Fuping Liu (劉福平)	—	9,360	—	—	20	17	9,397
	—	18,720	—	—	40	34	18,794

36. Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

For the year ended December 31, 2021	Fees	Salary	Discretionary bonus	Share-based payment expenses	Contribution to pension plan	Welfare, medical and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Weiping Liu (劉衛平)	—	8,496	—	—	37	33	8,566
Mr. Fuping Liu (劉福平)	—	8,496	—	—	37	33	8,566
Mr. Hongzhi Peng (彭宏志)	—	1,478	—	7,664	39	39	9,220
Mr. Lin Chen (陳林)	—	1,260	—	6,834	20	16	8,130
Mr. Liu Zhongsi (劉忠思)	—	796	—	8,628	22	24	9,470
	—	20,526	—	23,126	155	145	43,952
Non-executive directors							
Mr. Wei Mao (毛衛)	—	—	—	—	—	—	—
Ms. Lili Xu (徐黎黎)	159	—	—	—	—	—	159
Mr. Bihong Zhang (張弼弘)	159	—	—	—	—	—	159
Ms. Dongmei Xing (邢冬梅)	159	—	—	—	—	—	159
	477	—	—	—	—	—	477
	477	20,526	—	23,126	155	145	44,429

(b) Directors' retirement benefits

There were no retirement benefits paid to or receivable by any director in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries during the years ended December 31, 2019, 2020 and 2021.

(c) Directors' termination benefits

There were no termination benefits paid to or receivable by any director during the years ended December 31, 2019, 2020 and 2021.

36. Benefits and interests of directors (continued)

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

No payment was made to the directors for making available the services of them as a director of the Company during the years ended December 31, 2019, 2020 and 2021.

(e) Information about loans, quasi-loans and other dealings in favors of directors

Other than those disclosed in Note 35, there were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favor of the directors during the years ended December 31, 2019, 2020 and 2021

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2019, 2020 and 2021.

37. Contingency

As at December 31, 2019, 2020 and 2021, there were no significant contingencies items for the Group and the Company.

38. Subsequent events

(a) The potential financial impact of COVID-19

The COVID-19 pandemic has severely affected China and many other countries globally in recent years and has not shown the indication of its end. While the Group has considered the potential impact of COVID-19 pandemic in the preparation of the Historical Financial Statements, the Group is unable to quantify the full extent of the related financial effects. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and the Group's assets may be subject to impairment loss in the subsequent financial periods. The Group will pay close attention to the development of the COVID-19 pandemic and is evaluating its impact on the financial position and operating results of the Group.

(b) Supplemental agreements related to the 2021 Pre-**[REDACTED]** Investments

On April 27, 2022, the Group, the Controlling Shareholders and Pre-**[REDACTED]** investors (namely, CPE Investment XVIII Limited, CWL Management XVIII Limited, CWL Food Co-invest Limited, AUT-IV Holdings Limited, Image Flag Investment (HK) Limited, Duckling Fund, L.P., YF Demeter Limited, Harmony Capital Limited, Oceanpine Focus Fund LP, SCC Growth VI

38. Subsequent events (continued)

(b) Supplemental agreements related to the 2021 Pre-**[REDACTED]** Investments (continued)

Holdco F, Ltd. and Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership) (上海泓漯企業管理諮詢合夥企業(有限合夥)) (collectively, the "Supplemental Agreement Investors")), entered into a supplemental agreement of share purchase agreement, pursuant to which the Company agreed to issue and sell to the Supplemental Agreement Investors in a total amount of 157,626,890 ordinary shares with a par value of US$0.00001 for a total consideration of US$1,576.2689. On the same date, the Company adopted a second amended and restated memorandum and articles ("MAA") by a special resolution passed on April 27, 2022. According to the MAA dated on April 27, 2022, subject to the provisions and circumstances under the relevant legal documents dated on April 27, 2022, if a qualified **[REDACTED]** has not occurred, the Board of the Company may cause the Company and without any further approval from the Supplemental Agreement Investors, and the Company shall be entitled to compulsorily redeem all of the aggregate amount of 157,626,890 ordinary shares held by the Supplemental Agreement Investors at its par value (i.e US$0.00001). The Company is evaluating the financial impact on its consolidated financial statements by taking into consideration of the implications according to the relevant requirements under IFRS 2 share-based payments.

(c) New grants under the RSU Scheme

In May 2022, the Company granted an aggregate of 2,135,376 RSUs under the RSU Scheme to selected eligible participants with performance and service conditions at a nil consideration to incentivize them for the Group's future development (the "May 2022 Awards"). The May 2022 Awards were recognized as equity-settled share-based payment. Share-based payment expenses relating to the May 2022 Awards were calculated based on the grant date fair value of these RSUs and then recognized on a straight-line basis over the entire vesting periods for each tranche starting from the grant date. The Company is evaluating the financial impact relating to the May 2022 Awards on its consolidated financial statements.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021.